

TENNESSEE REGULATORY AUTHORITY



Annual Report

Promoting the Public Interest for the Future
Electric . Gas . Telecommunications . Water

For the period July 1, 2002 to June, 30, 2003
www.state.tn.us/tra

TABLE OF CONTENTS

Letter to the Governor, Members of the Senate and Members of the House of Representatives	2
Introduction to the Authority.....	3
Organizational Chart of the Authority.....	14
Utilities Under the Authority’s Jurisdiction	16
DIVISIONAL REPORTS	
Office of the Chairman	17
Budget Summary	18
Revenue	19
Docket Room and Authority Activity	20
Consumer Services & External Affairs Division	21
Economic Analysis & Market Monitoring Division	26
Energy & Water Division	28
Gas Pipeline Safety Division.....	32
Information Systems Division	38
Legal Division	39
Telecommunications Division.....	42

INTRODUCTION TO THE TENNESSEE REGULATORY AUTHORITY

February 2004

The Honorable Phil Bredesen
Governor, State of Tennessee

The Honorable John S. Wilder
Lt. Governor

The Honorable Jimmy Naifeh
Speaker of the House of Representatives

Members of the General Assembly

It is with great pleasure that we present to you the Annual Report of the Tennessee Regulatory Authority for Fiscal Year 2002-2003. This report has been prepared in accordance with Tennessee Code Annotated § 65-1-211.

Within this report you will find a review of the activities in which the TRA has been engaged during the past fiscal year, a summary of our operating budget, the volume of proceedings conducted during the fiscal year, and an organizational chart. You will also find individual reports from the seven Divisions within the TRA that oversee our regulatory, legal, and operational responsibilities.

2003 was a year of new and exciting regulatory challenges. Presently, we are in the midst of a nine-month proceeding regarding the Federal Communications Commission's (FCC) Triennial Review Order regarding telecommunications competition in the state, which should be completed by July 2004.

While Congress did not pass a comprehensive energy bill this past fall, we will monitor and keep you informed as to how this bill may affect Tennessee consumers.

We are investigating over 400 Do-Not-Fax complaints in the first six months of the implementation of this program passed during the 2003 legislative session. We will be providing you with a more in depth report later this year.

We also worked with both the FCC and Federal Trade Commission (FTC) regarding the federal Do-Not-Call program and over a million Tennesseans are now reaping the benefits of the Tennessee and federal Do-Not-Call programs.

In addition to a statewide Gas Symposium, several telecommunications workshops and numerous presentations regarding consumer education, we have updated our website where you will find timely information on national trends and new technologies.

We look forward to working with you on these and other issues. Please contact the TRA if we can provide you or your constituents with information, investigation of complaints or to learn more about our programs for elderly, low income and handicapped citizens. Thank you for your continued support.

Sincerely,

Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

INTRODUCTION TO THE TENNESSEE REGULATORY AUTHORITY



L to R: Director Ron Jones, Director Pat Miller, Director Sara Kyle and Chairman Deborah Taylor Tate.



In 1995, the General Assembly passed legislation to create the Tennessee Regulatory Authority (Authority), a governing body to regulate utilities in the state of Tennessee. The Authority's mission is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Leadership of the Authority is comprised of four Directors, each of whom is appointed to serve a six-year term. Chairman Deborah Taylor Tate is the appointee of the Governor; Director Pat Miller is the appointee of the Lt. Governor; Director Sara Kyle is the appointee of the Speaker of the House; and Director Ron Jones is the joint appointee of the Governor, the Lt. Governor and Speaker of the House. The Chairmanship will rotate every year among the directors for the duration of their terms.

INTRODUCTION

OUR MISSION

The mission of the Tennessee Regulatory Authority is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

This mission is fulfilled through the functions of economic regulation, regulatory oversight, service regulation and consumer assistance.

Economic Regulation — The Authority provides an accessible and efficient regulatory process that is fair and unbiased. We ensure that the regulatory process results in fair and reasonable rates while offering rate-based regulated utilities an opportunity to earn a fair return on their investments.

Regulatory Oversight — The Authority provides appropriate and necessary regulatory oversight to protect consumers and facilitate the development of fair and effective competition in the provision of telecommunications services.

Service Regulation and Consumer Assistance — The Authority protects and educates the public in the changing environment of competition among utilities by becoming a consumer service focused agency. We also inform utility consumers regarding utility matters and expedite the resolution of disputes between consumers and utilities.

OUR PHILOSOPHY

To function with the highest degree of ethics, serving before the public with accountability and openness. To carry out our regulatory duties with diligence, while operating in a competent, effective, and efficient manner. In serving the public, we will balance the interests of consumers, regulated entities, and others, while maintaining a standard of excellence. This is accomplished by remaining technically up-to-date, utilizing modern state-of-the-art communications tools, computer systems and equipment, which allow for the responsive and accurate processing of consumer information, regulatory data, industry audits, inspection results, and requests for service.

TRA ON THE INTERNET

Information about the Tennessee Regulatory Authority is available on the Internet at www.state.tn.us/tra. Whether a person wishes to learn about special programs that reduce unwanted fax advertisements and telephone solicitation calls, sign-up for telephone assistance programs, learn about telecommunications services and programs that aid the deaf, blind and speech impaired, or how to file a consumer complaint, it can all be found on the TRA's web site.

In addition, online visitors will have access to:

- ◆ Information on the various TRA Divisions
- ◆ Regulatory Cases
- ◆ Conference Agendas
- ◆ Press Releases
- ◆ TRA Rules & Regulations; Special Reports; Appeals and Petitions to the Federal Communications Commission; TRA Orders; and pertinent information related to natural gas pipeline safety.
- ◆ External web links to the National Association of Regulatory Utility Commissioners (NARUC); the Federal Trade Commission (FTC); the Federal Energy Regulatory Commission (FERC); American Gas Association, and others.

Total number of visitors to the TRA web site during the 2003 calendar year:

Total number of visits to the TRA web site during the 2003 calendar year.

January	143,549	May	217,583	September	284,754
February	127,238	June	324,524	October	258,015
March	134,442	July	330,282	November	296,827
April	132,216	August	251,472	December	272,767
				Total	2,773,669

Visitors to the Tennessee Regulatory Authority's web site (www.state.tn.us/tra) can learn about the full range of the agency's regulatory duties, responsibilities, and oversight as well as find information about the various consumer programs under our direction.

Tennessee Do-Not-Call Program

Tennessee Do-Not-Call Program Remains in Effect

"We are still accepting telephone numbers and enforcing the Tennessee Do-Not-Call law," said TRA Chairman Debi Tate following the Oct. 1, 2003 Federal Communications Commission (FCC) consumer news advisory.

Do-Not-Call Program Rules

The Tennessee Regulatory Authority initiated a rulemaking proceeding on June 2000 to ensure that the rules are in accordance with the May 17, 2000 amendment TCA "Section 65-4-405", and to address issues regarding independent contract. The TRA will post any amendments on this website as soon as the amendment becomes effective.

Frequently Asked Questions

[Telemarketers](#) | [Consumers](#)

Tennessee.gov Home | Search Tennessee.gov | A to Z Directory | Policies | Survey | Help | Site Map | Contact

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505
1.800.342.8359

Tennessee.gov

The Official Web Site of the State of Tennessee

Tennessee Regulatory Authority
Deborah Taylor Tate, Chairman

Home | About Us | Employment | TRA Rules | TRA Forms | Online Services | Contact Us

Our Mission

The mission of the Tennessee Regulatory Authority is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Meet the Directors

Director Tate | Director Miller | Director Kyle | Director Jones

Topics of Interest

Next Conference Agenda | Recently Updated Dockets
Last Conference Summary | Complete Docket Index
All Conference Information | Keyword Search a Docket
Press Releases | Tariff Links

New Items of Interest

Consumer Alert! FCC Wireless Number Portability (WNLN) Information
Consumer Alert! Delta Phones: Complaint Form | Press Release
Weatherization and Energy Assistance Programs (WAP & LIHEAP) (external link TN DHS)
"How Will The Coming Natural Gas Shortage Impact Tennessee This Winter?"
Other New Topics of Interests...

Other Divisions

Economic Analysis | Information Systems | Legal | Administration

File a Complaint

Utility
Do Not Call (pdf)
Do Not Fax (pdf)
Delta Phones (pdf)
Para Espanol

Forms

UD16 | UD18 | UD20
Reseller | CLEC Package
Gas Operator Contact
TDAP | Lifeline & Linkup
Do Not Call Registration
Consumer | Solicitor
All Forms & Brochures...

Reports

2002 Annual Report
All Reports...

Rules

1220-1-1 | 1220-1-2
Min. Federal Safety Stds.
All Rules...

Miscellaneous

External Links
TN General Assembly
TN Attorney General
Legislation Status
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Federal Filings

FCC
FTC
FERC

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Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505
1.800.342.8359

In the year 2000, the Tennessee General Assembly passed legislation that created the Tennessee "Do-Not-Call" Program. The program, now in its third year of operation, prohibits organizations from soliciting goods and services by telephone to consumers whose telephone numbers are registered on the "Do-Not-Call" Register. For more information about the "Do-Not-Call" Program visit the TRA's web site, or to register, call toll free 1-(877)-872-7030.

(Click on images to link to TRA website)

On November 24, 2003, a Federal Communications Commission (FCC) rule went into effect allowing wireless telephone subscribers receiving service from Nashville, Memphis, and Knoxville to retain their telephone numbers if they switch wireless service providers. Complete details about "Wireless Local Number Portability" can be found on the TRA's website.

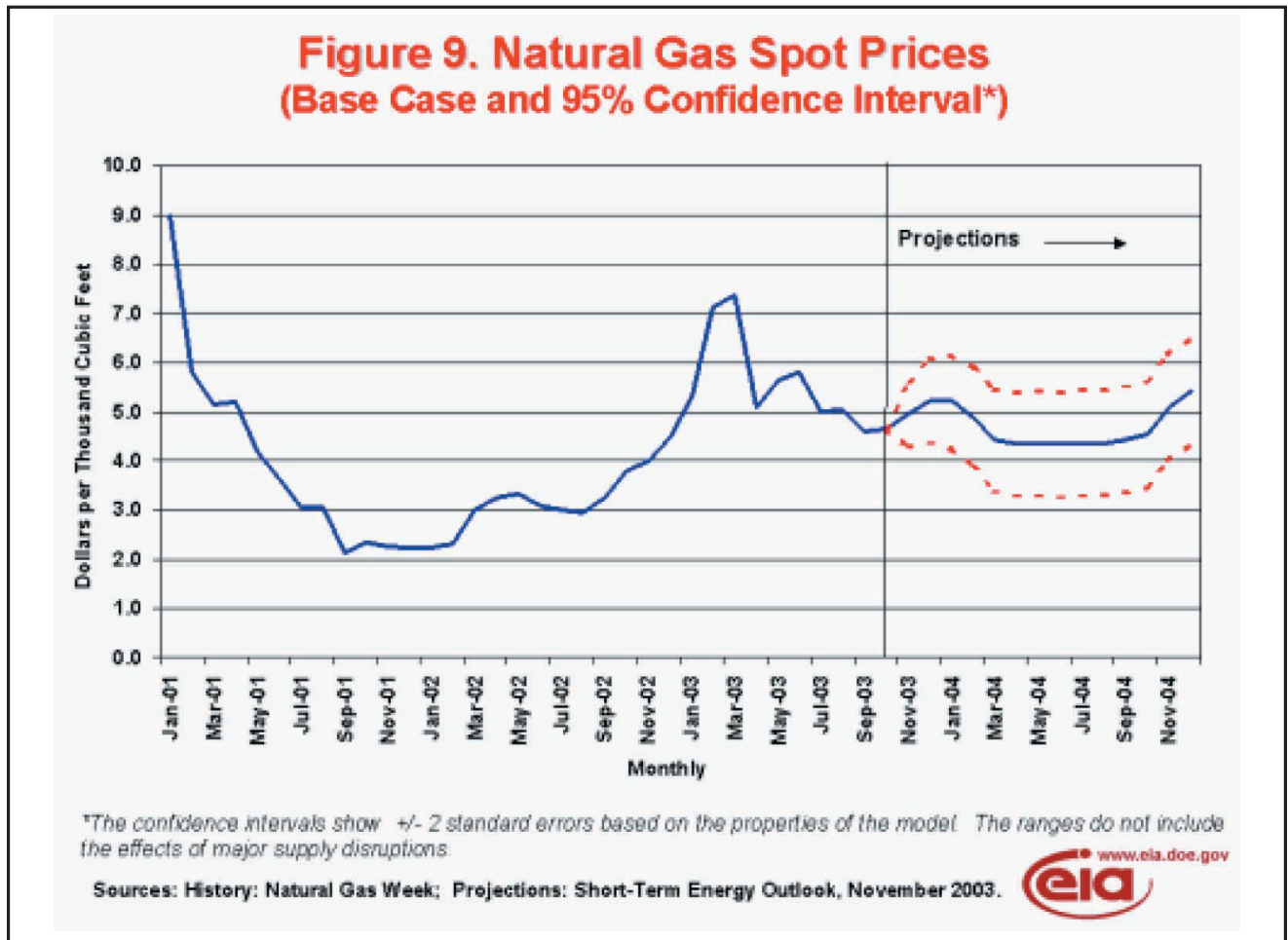
The screenshot shows the Tennessee.gov website header with the TRA logo and navigation links. The main heading is "Federal Communications Commission Wireless Local Number Portability". Below this, there is a red banner with the text "Need to file a complaint with the FCC? Call 1-888-CALL-FCC (1-888-225-5322)". The section "What is wireless number portability (WLNP)?" contains three bullet points explaining the service. Below that, the "Three-C" process is outlined: COMPARE, CHECK, and CONTACT. A list of links follows, including "FCC - Wireless Number Portability Web Site", "FCC - FAQs Regarding Wireless Number Portability", "FCC - How to File a Wireless Number Portability Complaint", "TRA Press Release: Wireless Local Number Portability to Start on November 24th", "November 24th NARUC Press Release", "FCC - Wireless Number Portability Fact Sheet", "FCC - FAQs regarding E911 and Number Portability", "Tennessee Wireless Number Portability Map by County", and "CTIA - Consumer Code for Wireless Service". The footer includes contact information for the TRA and a search bar.

The screenshot shows the Tennessee.gov website header with the TRA logo and navigation links. The main heading is "Tennessee Regulatory Authority Natural Gas Symposium". Below this, there is a section titled "How Will The Coming Natural Gas Shortage Impact Tennessee This Winter" which describes a one-day symposium held on August 19th, 2003. The text states that state and federal natural gas experts, along with local distribution company and government community service representatives, took part in topical panel discussions. A sidebar on the left contains links to "Letter from Secretary Abraham", "Presenters' Bios", "Symposium Agenda", "U.S. Dept of Energy Energy Saver Tips", and "Download Symposium Presentations". A sidebar on the right contains links to "Community Meetings", "Dates/Places", "Weatherization and Energy Assistance Programs (WAP & LIHEAP)", "Miscellaneous", "Balancing Natural Gas Policy - Fueling the Demands of a Growing Economy", and "National Petroleum Council Presentation". The footer includes contact information for the TRA.

In response to widespread predictions of rising natural gas costs, the TRA in August of 2003, hosted a one-day symposium to discuss what, if any, impact shortages in the nation's supply of natural gas would have on Tennessee consumers. Symposium participants included the Federal Energy Regulatory Commission (FERC), the American Gas Association, and various state local distribution companies and community service agencies.

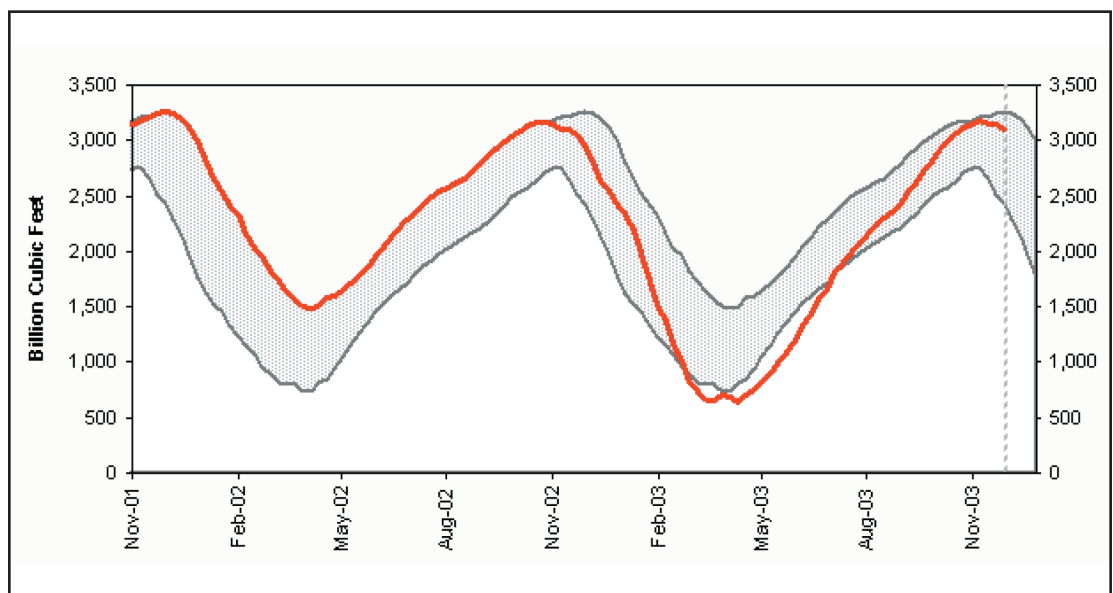
(Click on images to link to TRA website)

Coming out of the 2002-2003 winter period, the supplies for natural gas were extremely tight, resulting in prices significantly higher than previously seen at the end of a heating season. As shown in the chart below, average prices for natural gas in March, 2003 were approximately \$7.25 per thousand cubic feet – a record high for March pricing coming out of the winter heating season.



In addition to these high record prices, the amount of natural gas in storage was at a five-year low (see chart below), and there were significant concerns over whether the gas industry would be able to fully supply customers with enough natural gas for the 2003-2004 winter heating season. This situation caused Federal Reserve Chairman Alan Greenspan and Secretary of Energy Spencer Abraham to advise consumers to be prepared for another winter of high natural gas prices.

Presentations from the Gas Symposium and energy saving tips are available at www.state.tn.us/tra.



TRA eyeing gas cost

- Knoxville News Sentinel

State agency to hold symposium on natural gas supplies

- Lenoir City News-Herald

Natural gas symposium details good, bad news

- The Tennessean

NEWS CLIPPINGS FROM THE PAST FISCAL YEAR

Nashville Business Journal

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Updated: 10:32 AM EDT
Tuesday, Aug 27, 2002

[OIA center in Philadelphia
to open in November](#)

[TRA OKs BellSouth long-
distance bid](#)

[BOHAN to represent
Johnston & Murphy, others](#)

[Massey Burch, two others
lead \\$8 million investment
in PinPoint Networks](#)

[GuestHouse using InnLink
services](#)

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own custom page or have
the news emailed to you.

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different metropolitan areas

Washington

Agencies ordered to
consider small business

Outlook

The changing boardroom

Spotlight

Low-fee real estate agents

TRA OKs BellSouth long-distance bid

BellSouth's bid to begin offering long-distance telephone service in Tennessee has received the blessing of the state's regulatory body.

The unanimous decision by the Tennessee Regulatory Authority on Monday means the company (NYSE: BLS) now needs permission from the Federal Communications Commission to begin long-distance service here. The FCC, which will request detailed input from the TRA, will have 90 days to issue a ruling on the request.

☐ Yes, I've answered the phone and said "I'll get him" when I am him.

The TRA order confirms that BellSouth has met its obligations to open its market to competitive local providers, as specified by the Telecommunications Act of 1996.

"The simple fact is that the local phone market is open to competition," Marty Dickens, president of BellSouth's Tennessee operations, says.

He says competitive growth in Tennessee has risen to more than 12 percent today, with business competition exceeding 30 percent statewide and more than 50 percent in many metropolitan business districts. Competitors now serve about 400,000 customer lines in the state, he says.

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business

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- [Business Community](#)
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- [PR Newswire](#)
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- [Stock Market Game](#)
- [Sci/Tech](#)
- [WSJ Sunday](#)
- [Columnists](#)

Previous Business

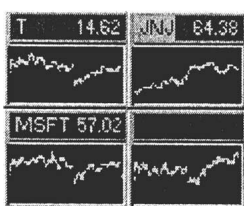
- [Wednesday, Jul 24](#)
- [Tuesday, Jul 23](#)
- [Monday, Jul 22](#)
- [Sunday, Jul 21](#)
- [Saturday, Jul 20](#)
- [Friday, Jul 19](#)
- [Thursday, Jul 18](#)

Business staff

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Pennsylvania's Talk America fined \$325,000

Phone company accused of consumer abuses

By **Larisa Brass**, News-Sentinel business writer
July 25, 2002

In the largest settlement of its kind in state history, the Tennessee Regulatory Authority fined a Pennsylvania phone company \$325,000 for a litany of abuses against consumers.

The TRA launched an investigation against Talk.com, now Talk America, in September 2000, for switching customers to that company's brand of phone service without their consent and billing customers for services they never ordered.

These practices are known, respectively, as slamming and cramming. Talk America sells local and long distance telephone and Internet service.

Talk.com has also been under investigation for violating the state's Do Not Call registry, a list of customers who have asked that their phone numbers be blocked from telemarketers.

The \$325,000 settlement will be paid over a period of six years, said Eddie Roberson, chief of TRA's consumer services division. The company recently paid its first installment of \$75,000, he said.

"We're pleased with the settlement," said Gabe Battista, Talk America chairman and chief executive officer. "We're glad that it's behind us."

The state received a large number of complaints against Talk.com, he said, stretching from fall 2000 to November 2001.

The TRA investigation found that Talk.com had "two main problems," said Roberson.

First, the company was using outside telemarketers who didn't play by the rules, he said, giving customers false and misleading information about Talk.com's service.

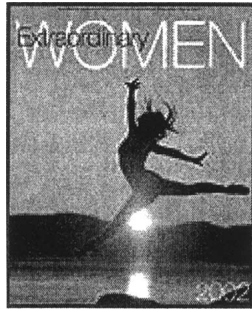
Second, the company mailed promotional checks, which customers

NEWS CLIPPINGS FROM THE PAST FISCAL YEAR

KnoxNews: Business

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SPECIAL SECTION



Check out our first in a series of sections that will focus on Knoxville's exceptional women.

SECTION »

could cash to switch their service. However, said Roberson, often the customer name would not match with the telephone number on the check, resulting in a change in service for customers who hadn't authorized it.

Roberson said a number of complainants also said that when they requested that their service be shut off, the company continued to switch their service back.

"It was just a whole myriad of bad business practices," he said.

Roberson said the company has already paid \$92,000 to correct customer complaints.

Talk America has faced investigations in eight other states for similar complaints. Those states include Florida, New York, Mississippi, Alabama, Georgia, California, Pennsylvania and West Virginia.

The company has reached settlements with all states but Florida and New York, said Dave Zahka, chief financial officer for Talk America.

Tennessee's settlement agreement was the largest with the exception of California, he said.

Roberson said the TRA did not even discuss settlement possibilities until local complaints had been resolved. He said he also spoke with officials from other states investigating the company, who said "after they settled with (Talk America) they were a different corporate citizen."

Battista said the problems arose from glitches related to the company's "start-up" status in the local phone service business. Talk America had offered long distance service for nearly a decade, but entered the local phone market in 2000.

Since then, he said, Talk America has become a profitable company with a commitment to service.

In addition to the fine, the settlement also requires Talk America not to send promotional checks for one year, to notify all complainants of the settlement and of their legal rights regarding the case, to allow the TRA to monitor the company's operations including conducting random audits and to report all future complaints to the TRA.

Larisa Brass can be reached at 342-6318 or brass@knews.com.



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TRA hosts Natural Gas Symposium

Users of natural gas should expect to pay considerably more this coming winter to heat their homes and businesses, according to experts who took part in a one-day natural gas symposium spearheaded by the Tennessee Regulatory Authority (TRA).

"We do not want to alarm consumers about rising natural gas prices; however, we believe that we have an obligation to inform those who rely on natural gas for heat to be aware of what may possibly occur this coming winter," said TRA Chairman Debi Tate.

Federal Energy Regulatory Commission (FERC), American Gas Association (AGA), and state and local gas utility industries gathered in Nashville recently to discuss the national outlook for natural gas supplies and what Federal Reserve Chairman Alan Greenspan and Secretary of Energy Chairman Spenser Abraham have warned the nation of this summer: that tight natural gas supplies will likely drive up America's home

heating costs.

Tennessee residents who rely on natural gas should also expect to see a spike in their home heating costs, according to officials from Piedmont Natural Gas, who also participated in the event.

Piedmont estimated that natural gas users in Tennessee will see an increase of between 10 to 20 percent in their winter utility bills, and attributed the increase to the demand for natural gas outpacing available supplies. Piedmont is the parent company of the Nashville-based Nashville Gas Company.

Of particular concern to TRA officials were the steps natural gas companies were taking to inform their customers of the coming increase in rates that many will experience this winter.

Headlining the symposium's afternoon sessions was "Protecting and Educating Consumers," during which regulated and non-regulated natural gas companies spoke on topics

ranging from energy conservation tips, special bill payment plans, and financial assistance programs; such as the Low Income Home Energy Assistance Program (LIHEAP).

LIHEAP is a federally funded program administered by the Tennessee Department of Human Services that helps low-income consumers with their home energy bills.

Chairman Tate also announced that TRA would be hosting regional workshops during the month of September on what consumers can do to cope with high natural gas prices.

"It is important that we help ensure that the public is aware of the measures that can be taken to lower their home energy costs this winter. We believe these local workshops will help us meet this responsibility," said TRA Chairman Tate.

Tennessee U.S. Congressman Marsha Blackburn, along with representatives from the offices of Senate Majority Leader Bill Frist and Senator Lamar

Alexander attended the forum as well.

For more information about the TRA's Natural Gas Symposium and energy saving tips, visit the TRA's web site at www.state.tn.us/tra.

TRA Responds to Oklahoma Court Ruling on National Do-Not-Call Program

Although the Federal Do-Not-Call program and the Tennessee Do-Not-Call are united in a common goal to provide relief to consumers from unwanted telephone solicitation calls, the federal and state programs are two separate and distinct programs.

"It is unfortunate that hundreds of thousands of the consumers in other states may be without a program that provides some measure of relief from unwanted telemarketing calls," said TRA Chairman Debi Tate. "However, Tennessee consumers will continue to enjoy the protections

offered by the Tennessee Do-Not-Call program.

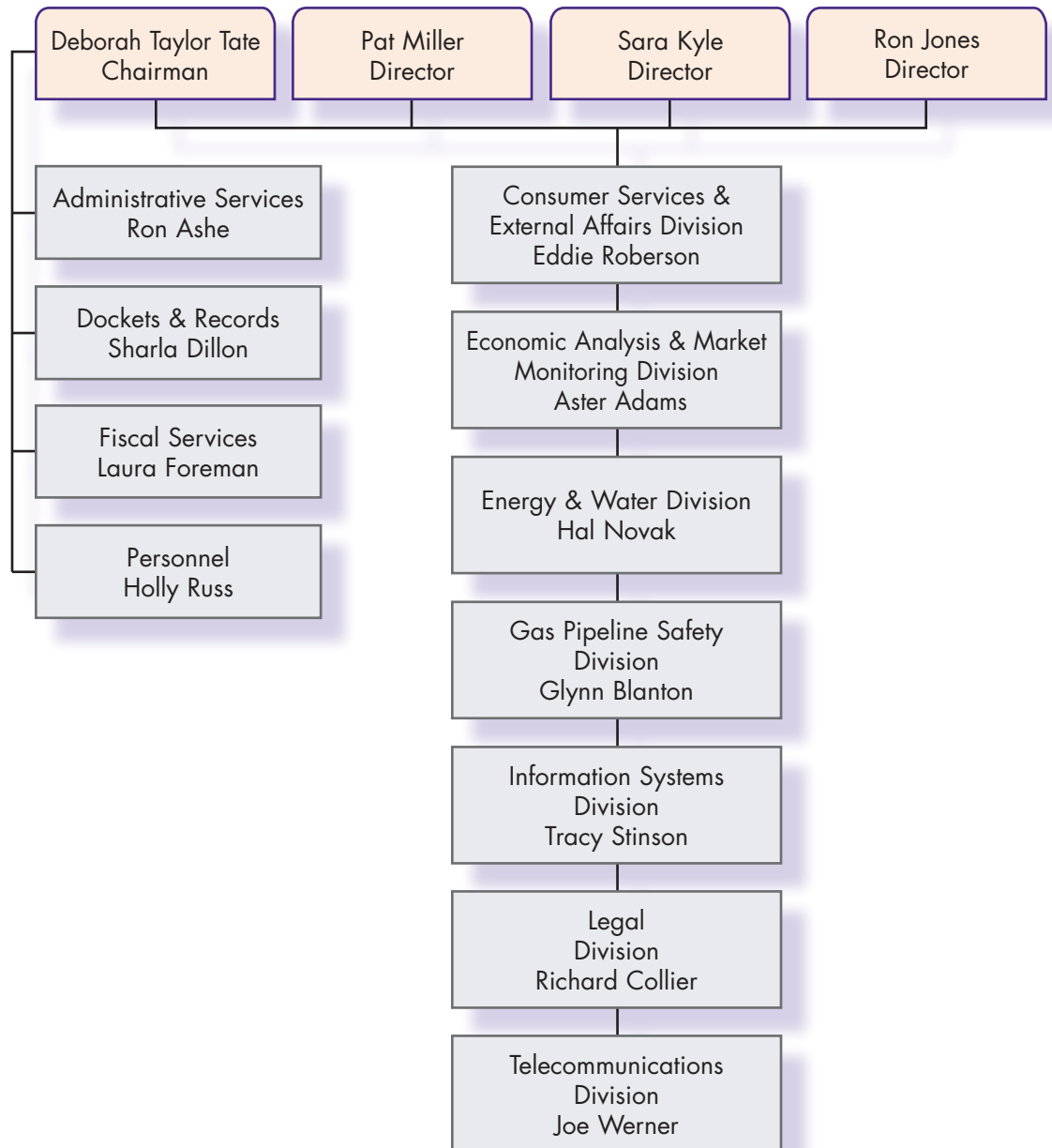
"With over 900,000 Tennesseans and 50 million numbers on the national list, obviously this program has been extremely successful with consumers," Tate added.

The Tennessee Regulatory Authority (TRA) will continue to enforce the state Do-Not-Call law to the fullest extent possible.

To register for the Tennessee Do-Not-Call program, call toll-free at 1-877-872-7030, or visit the TRA's website at www.state.tn.us/tra.

TENNESSEE REGULATORY AUTHORITY

ORGANIZATIONAL STRUCTURE



INTRODUCTION

The Authority has jurisdiction over public utilities including:

- Electric companies,
- Telephone companies,
- Water companies, and
- Natural gas companies.

Pursuant to T.C.A. § 65-4-104, statutory responsibilities include making rules for utility operations, utility rates, and regulating gas safety standards. Quasi-judicial powers allow the Authority to decide the granting of operating authority and to adjudicate conflicts and controversies arising from utility operations.

Financially independent of the General Fund, the Authority's operational expenses are covered wholly by the industries it regulates, with a small portion coming from the federal government.

As of June 30, 2003, the Authority was budgeted for 82 positions. The Divisions and staff positions within each are as follows:

Directors	4
Directors' Staff	8
Administrative Staff	8
Consumer Services	15
Energy & Water	5
Gas Pipeline Safety	7
Information Systems	4
Legal	10
Telecommunications	16
Economic Analysis & Policy	4
Universal Service Division	1
<hr/>	
82 staff positions	

Staff of the Authority includes accountants, administrators, attorneys, consumer specialists, economists, engineers, information systems and computer specialists, a public information officer, and office support.

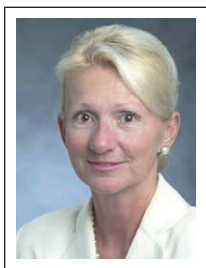
UTILITIES UNDER THE AUTHORITY'S JURISDICTION

Listed below are the approximate number of utilities under the jurisdiction of the Tennessee Regulatory Authority as of June 30, 2003.

Energy & Water	
Electric	3
Natural Gas Companies	6
Water & Waste Water	13
Telecommunications	
Competing Telephone Service Providers	93
Customer Owned-Coin Operated Telephone Providers	240
Incumbent Telephone Companies	18
Local Service Resellers	74
Resellers and Operator Service Providers	260
Gas Pipeline Safety	
Apartments*	10
Direct Sales*	24
Housing Authorities*	28
Intrastate Pipeline*	6
LNG Operators*	3
Mobile Home Parks*	4
Miscellaneous Master Meters*	0
Municipalities*	74
Utility Districts*	28
Total Public Utilities	884

* These entities are regulated by the Authority only to ensure compliance with Minimum Federal Safety Standards for the transmission of natural gas.

THE OFFICE OF THE CHAIRMAN



Deborah Tate
Chairman

MISSION: *To coordinate the activities of the Authority and ensure that matters brought before it are handled in a fair and impartial manner, always moving toward improving services to the people served by the authority.*

The Office of the Chairman serves as the chief administrative officer of the Tennessee Regulatory Authority with the power and duty to conduct the ordinary and necessary business in the name of the Tennessee Regulatory Authority. The duties of the Chairman's office include, but are not limited to the following:

- ◆ Serve as chief operating officer of the Authority responsible for supervision and hiring of all joint staff members within the limits of available funds authorized by Chapter 305 of the Public Acts of 1955.
- ◆ Recommend to the Authority such rules and policies as are necessary and appropriate to efficiently and economically provide for internal management of the Authority;
- ◆ Coordinate the preparation of the annual report to the general assembly as required by Tennessee Code Annotated, Section 65-1-211;
- ◆ Prepare and call the docket of items to be heard during each scheduled meeting of the Authority;
- ◆ Keep the official full and correct record of all proceedings and transactions for the Authority;
- ◆ Schedule the Authority's hearings;
- ◆ Prepare and distribute the Authority's Conference agendas;
- ◆ Coordinate and expedite matters pending before the Authority;
- ◆ Serve as the Authority's designated contact for all media inquiries;
- ◆ Administer, monitor and review the operating procedures of each division of the Authority to ensure that each fully executes in an efficient manner the separate duties and responsibilities assigned to each;
- ◆ Oversees the expenditure of funds and compliance with all applicable provisions of state and federal law in receipt and disbursement of funds;
- ◆ Prepare annual budget;

In order to carry out these functions and responsibilities, the Chairman's office consists of Dockets and Records, Personnel Office, Public Information, Fiscal and Administrative.

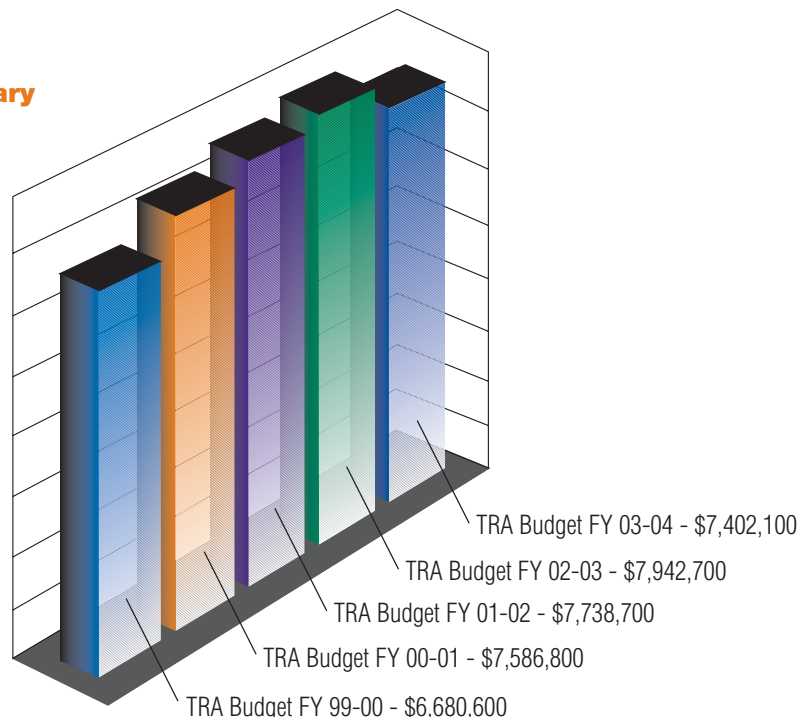
BUDGET SUMMARY APPROPRIATIONS, FEES AND EXPENSES

The TRA began fiscal year 2002-2003 (FY03) with a budget of \$7,942,700 which was a 2.6% increase over the FY02 budget of \$7,738,700, with the increase being entirely due to the statewide increases to salaries, insurance, and retirement. While actual expenditures decreased from \$6,687,089 for FY02 to \$6,633,556 for FY03, which represents a 0.8% decrease, revenues for the same period increased 3.3% from \$6,789,451 to \$7,219,554 (these revenues exclude fees collected for the Telecommunications Devices Access Program ["TDAP"], the use of which is governed by specific legislation).

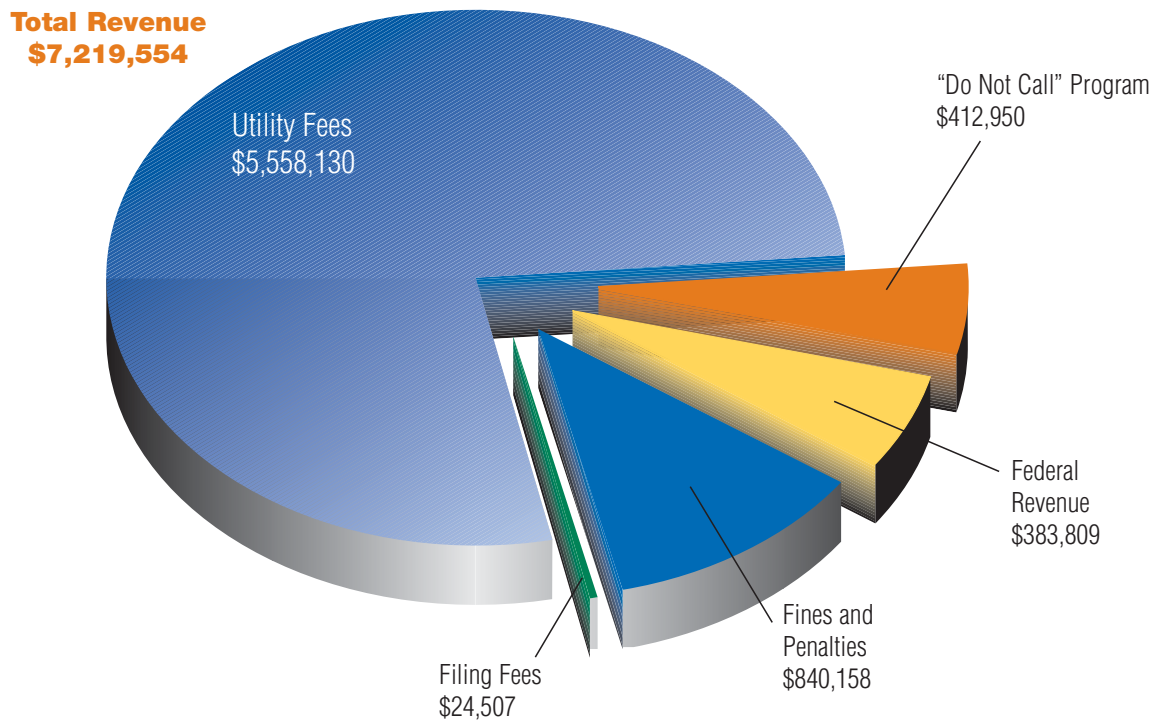
The majority of the revenues collected by the TRA are derived from utility inspection fees. These inspection fees are paid by the public utilities regulated by the TRA, are based on the annual gross intrastate revenues of those public utilities, and are used to defray the cost of regulation by the TRA. Since the inception of the TRA on July 1, 1996, inspection fees have increased an average of 3.94% annually. During FY03 \$5,558,130 of the total revenue received was from inspection fees. In addition to the inspection fee revenue, the TRA received \$383,809 in federal revenue for the Gas Pipeline Safety program, \$412,950 in registration fees from telemarketers for the "Do No Call" program, \$840,158 in fines and penalties and \$24,507 in filing fees. All of the funds received by the TRA, except those collected for TDAP, are earmarked for the Public Utilities Account.

The proposed budget for FY04 is \$7,402,100, which represents a voluntary 9% reduction from FY03's budget. Revenues received from sources other than the General Fund of the State of Tennessee will fund the TRA's budget in its entirety. Therefore, the Authority is financially sound and is able to operate efficiently and productively within anticipated revenues.

Budget Summary



REVENUE OF TRA FY 2002-2003



DOCKET ROOM AND AUTHORITY ACTIVITY

The Directors conduct the business of the Authority through regularly scheduled Authority conferences. The Official Minutes of the conferences are kept in the Docket Room and are available to the public for inspection at all times. The minutes show every action taken by the Authority and are prepared in a manner permitting immediate reference to the actions of the Authority. The Authority's Docket Room also maintains all filings made with the Authority and updates the official calendar of the agency. In addition to paper files, the Authority maintains an electronic fileroom on its web page that contains all documents filed since 1-1-99. The following information is available in the Docket Room:

- ◆ Docket Numbers
- ◆ Name of Applicants/Petitioners
- ◆ Subject Matter of Applications/Petitions
- ◆ Dates of Final Orders
- ◆ Summaries of Authority Action

VOLUME OF PROCEEDINGS BEFORE THE AUTHORITY FOR FISCAL YEAR ENDING JUNE 30, 2003

Docket Type	Fiscal Year 2002	Fiscal Year 2003	Comment
Contract Service Arrangements (CSAs)	394	460	
Interconnection/ Resale Agreements and/or Amendments	146	155	
Consumer Service & External Affairs Staff Investigations	18	7	*
Number of Certificate of Public Convenience & Necessities Issued (CCNs)	17	21	
Company-Owned Coin Operated Telephones (COCOTs), Name changes, and Resellers	67	98	
Telecommunications Tariffs/ Promotions Dockets	539	103	**
Transfer of Controls, Assets, Bankruptcies, Customer Letters	51	38	***
Energy & Water Division Purchase Gas Agreements, Audits, Tariffs, CCN Amendments	84	100	
Miscellaneous		30	
Total	1316	1012	

*Decline represents strict enforcement of various statutes enacted by the General Assembly to protect consumers from miscellaneous forms of utility fraud.

**A new tariff numbering system was implemented in August 2002. The number of tariffs shown in this section represents those tariffs that were assigned a docket number and deliberated before the appropriate panel of Directors.

***Decline represents the number of bankruptcy reductions among utilities regulated by the Tennessee Regulatory Authority.

CONSUMER SERVICES AND EXTERNAL AFFAIRS DIVISION



Eddie Roberson, Ph.D.
Chief

Mission: The Consumer Services and External Affairs Division (“CSEAD”) is responsible for monitoring the quality of services provided by regulated utilities, enforcing the rules and regulations of the Authority, and coordinating media and legislative relations. The major aspect of this responsibility is to investigate and mediate consumer complaints against regulated utilities and telemarketers pursuant to T.C.A. §§ 65-4-119 and 65-4-401 et seq. The CSEAD also performs other functions such as: serving as the consumer education/outreach office for the Authority by developing and implementing programs to educate the public on regulatory issues; enforcing the Do Not Call Telemarketing statute, T.C.A. 64-4-401, entailing the registration of solicitation companies and maintaining the state’s Do Not Call Register; and distributing assistive telecommunications devices to the Deaf, Deaf-Blind, Hard of Hearing, Hearing and Vision and Speech-Impaired community through the Telecommunications Devices Access Program (“TDAP”) in compliance with TCA § 65-21-115.

The CSEAD also conducts service hearings, community outreach meetings, utility service audits, offers testimony at utility proceedings, monitors telephone number conservation, and recommends enforcement action on utilities not complying with state law or the rules and regulations of the Authority. Additionally, the CSEAD monitors the operation of the Tennessee Relay Center for the hearing and speech impaired.

Through its consumer education efforts the CSEAD conducts and participates in numerous outreach events across the state. During the past year, the Division has participated in events involving the Tennessee Better Business Bureau, The Tennessee Department of Human Services, the Tennessee Department of Health, and the Tennessee Housing Development Agency, among others.

The Division has also provided outreach information and services to the AARP, National Federation of Independent Businesses (NFIB), the Nashville Hispanic Chamber of Commerce, and non-profit organizations including the United Way and Salvation Army.

The CSEAD staff consists of a chief, deputy chief, public information officer, two (2) program managers, one (1) legal assistant, one (1) administrative assistant, three (3) administrative secretaries, and five (5) consumer protection specialists.

2003 Major Activities

- ◆ Investigated 2030 consumer complaints against regulated utility companies.
- ◆ Assisted in securing refunds of \$285,310 to consumers as a result of investigations.
- ◆ Investigated 305 complaints against telephone companies for switching a consumer’s phone service without authorization (Slamming) during 2003. A total of \$34,581 was refunded to consumers from companies found not to have proper authorization to switch the customer’s service.
- ◆ Administered the TDAP program in accordance with T.C.A 65-21-115. The TDAP program issued 1508 devices costing \$178,789 to 1076 deaf, deaf-blind, hard of hearing, hearing and vision and speech impaired Tennessee residents. TDAP Staff also provided numerous training sessions on issued

CONSUMER SERVICES AND EXTERNAL AFFAIRS DIVISION

equipment as well as attended various functions to educate consumers and care providers and promote the benefits of the TDAP program. TDAP also holds quarterly meetings with a TDAP advisory committee to ensure that the needs of Tennessee's deaf, hard of hearing, hearing and vision and speech impaired consumers are being served.

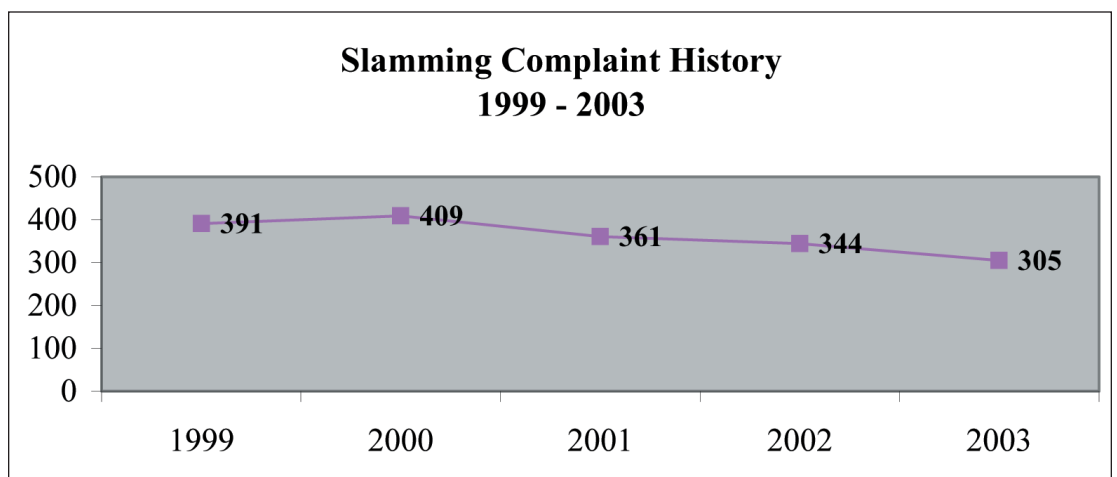
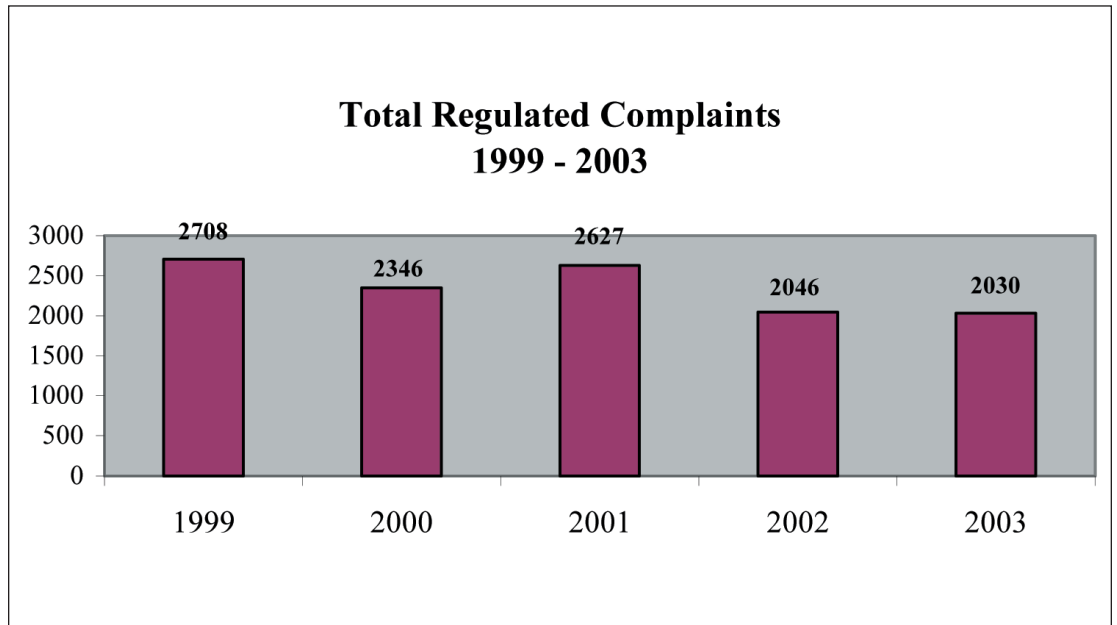
- ◆ Managed the Link-up Telephone Assistance Program. This Program assists low-income citizens by reducing the installation charge to establish local telephone service. For calendar year 2002, 6,123 recipients saved \$119,947 on their telephone installation charges by utilizing the Link-up Tennessee program.
- ◆ Administered the Lifeline Telephone Assistance Program. This Program is designed to ensure that all Tennesseans have access to affordable telephone service. For calendar year 2002, 49,226 Tennesseans signed up for this reduced rate telephone service and saved \$5,153,077 on their annual telephone bills.
- ◆ Reviewed the operations of the Tennessee Relay Center (“TRC”), under contract with MCI Global Relay, to ensure that it is complying with the Federal and State rules and regulations. The TRC is a service designed to assist speech and hearing disabled persons with making and receiving telephone calls. Call volume for the fiscal year was 849,955.
- ◆ Managed the Tennessee “Do Not Call” Program (T.C.A. 65-4-401). For 2003, over 871,587 Tennesseans signed up for the program and 708 solicitors have registered with the TRA. The TRA investigated 515 telemarketing complaints from consumers against telemarketing companies for fiscal year 2003, compared to 656 complaints for 2002.
- ◆ Initiated Do Not Call complaint investigations resulted in 10 telemarketing companies paying a total of \$177,200 in settlements to the State.
- ◆ Participated and conducted (36) outreach events during 2003.
- ◆ Implemented the “Do Not Fax” Program on July 1st, 2003. At the conclusion of calendar year 2003, the TRA had received 456 consumer Do Not Fax complaints.
- ◆ Prepared formal comments to the Federal Trade Commission on implementing the Federal Do Not Call regulations.



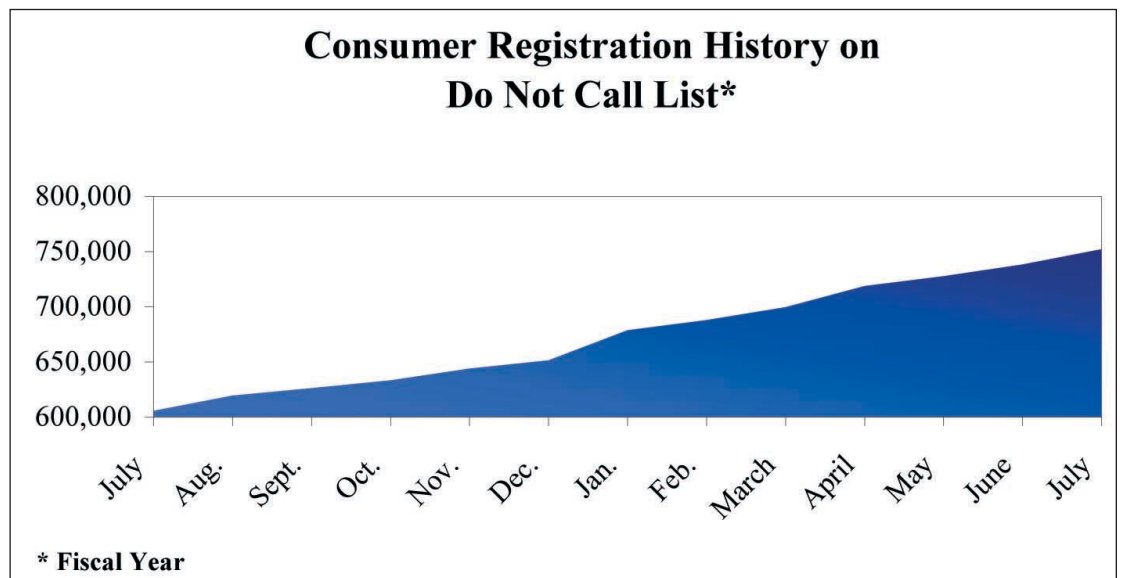
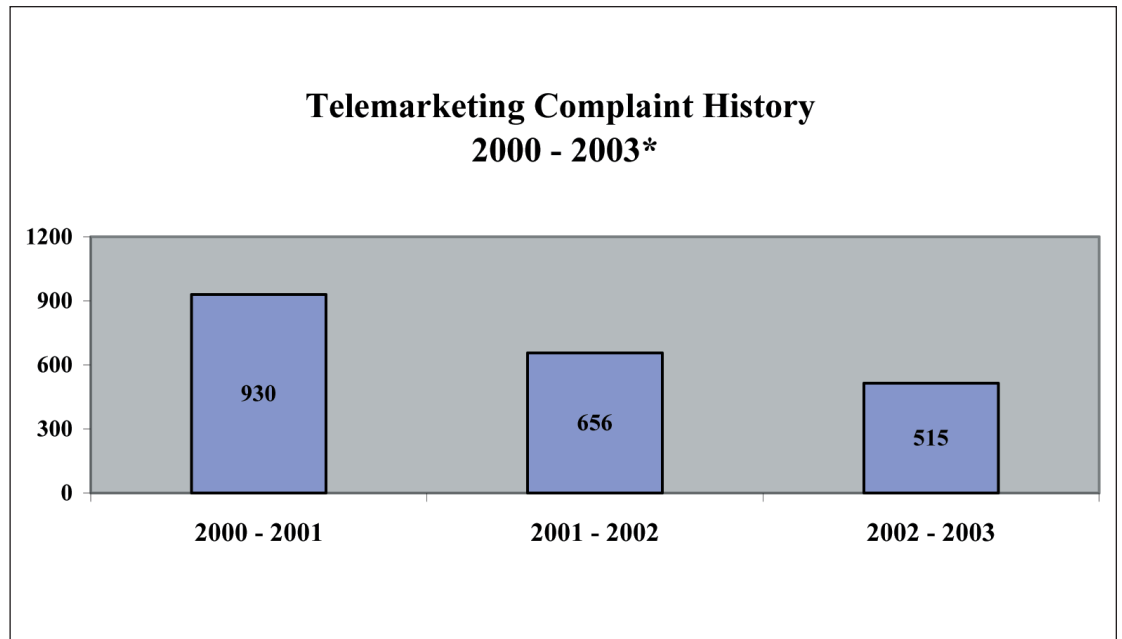
L to R: Director Pat Miller, Director Ron Jones, Senator Douglas Henry, TRA Chairman Debi Tate, and Director Sara Kyle at a July 1, 2003, TRA press conference to announce the start of the Tennessee “Do-Not-Fax” program.

CONSUMER SERVICES AND EXTERNAL AFFAIRS DIVISION

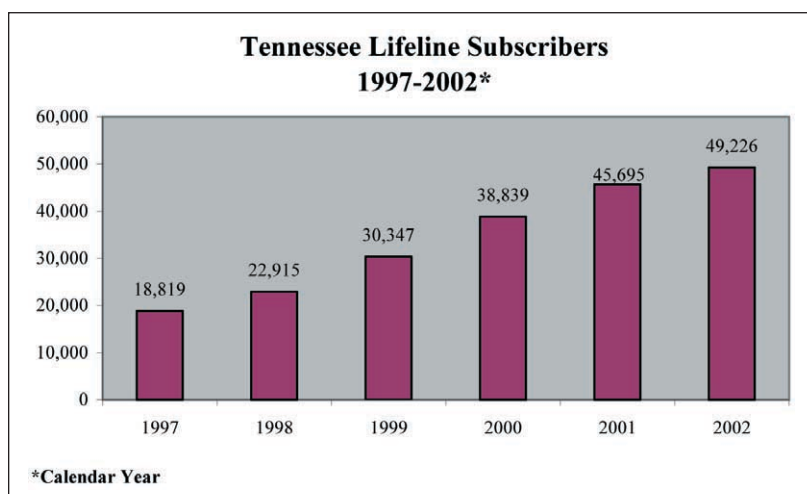
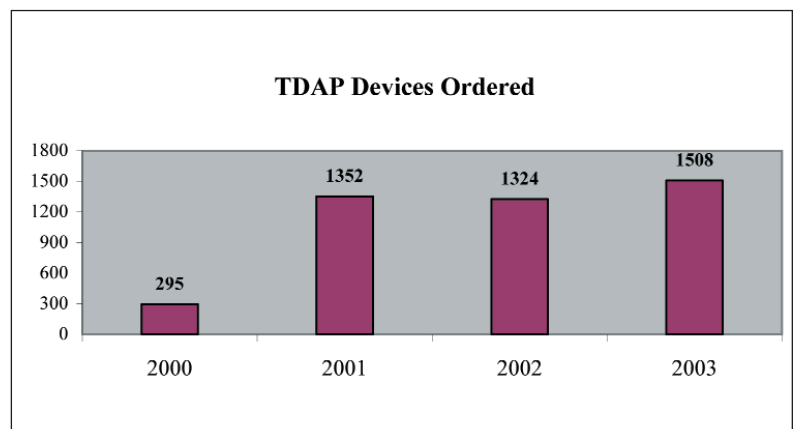
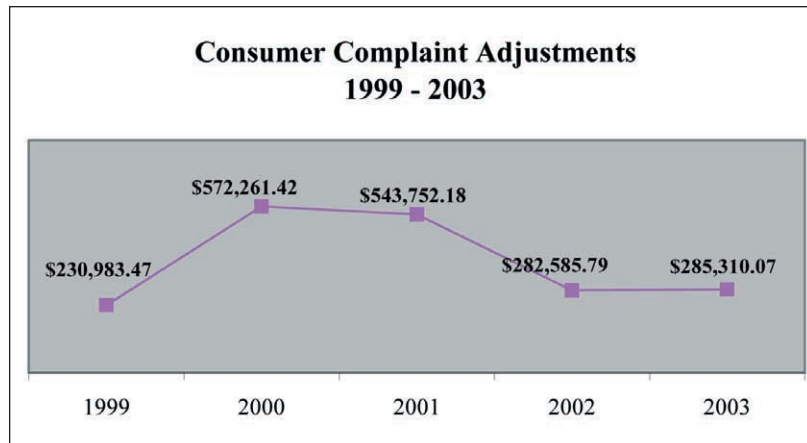
Categories of Complaints Investigated by Utility During 2002:



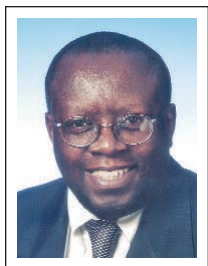
CONSUMER SERVICES AND EXTERNAL AFFAIRS DIVISION



CONSUMER SERVICES AND EXTERNAL AFFAIRS DIVISION



ECONOMIC ANALYSIS & MARKET MONITORING DIVISION



Aster Adams
Chief

MISSION: To provide economic research, analysis, and advice to the Directors and staff of the Tennessee Regulatory Authority (TRA).

The framework for public utility regulation has, and continues to change rapidly as traditionally monopolistic industries are increasingly subject to competition through legislative, technological and market forces. As the legislative and technological environment underpinning utility regulation continues to evolve, the nature of regulation itself continues to adapt. As the introduction of competition has been the abiding rule of utility regulation in recent times, the focus of utility regulators has shifted from generating regulatory outcomes through rate-setting activities to one of monitoring the developments within nascent competitive markets. Such oversight takes many forms, be it investigating the potential anti-competitive behavior from telecommunications tariff filings, tracking spot-market activity in natural gas markets, or evaluating the market vectors influencing the reliability of the electrical grid serving Tennesseans.

At the request of the Directors or staff, the Economic Analysis and Market Monitoring Division reviews evidence and provides advice in contested cases coming before the Directors for decision. Division staff participated in more than 100 docketed proceedings before the TRA, including: the rate cases of Tennessee-American Water Company and Nashville Gas Company; various tariff changes. These do not include hundreds of special contract arrangements which were considered by the TRA during this fiscal year.

During this fiscal year, changes to the responsibilities of the Division were implemented as the Division was charged with the responsibility to monitor federal electric policy at the Federal Energy Regulatory Commission (FERC) and legislation at the federal level. The Division prepared comments addressing the Standard Market Design and Regional Transmission Organizations proposed by the FERC and contributed in filing an intervention in a FERC docket involving American Electric Power, the parent company of Kingsport Power Company.

The Division was also charged to evaluate quarterly the random assignment of dockets to voting panels of Directors, a system which was put in place as of July 1, 2002. The Division prepared three (3) quarterly evaluations of the system and recommended that further evaluations be performed every six (6) months.

The Division has primary responsibility for reviewing applications for the approval of mergers, acquisitions, transfers of authority and the issuance of new financial instruments by public utilities. Division staff reviewed 45 of these applications between July 1, 2002 and June 30, 2003.

An additional responsibility was also added to the Division to process the petitions for name changes and to prepare orders approving such petitions. During this fiscal year, eight (8) petitions for name changes have been processed.

ECONOMIC ANALYSIS & MARKET MONITORING DIVISION

The Division also prepares reports, undertakes long term research, and manages the student internship program. Division staff supervised five (5) student interns from Middle Tennessee State University. They were assigned research projects to complete during a semester of part-time work at the Authority. One intern was responsible for organizing the 2000 Census data in a way that will help the Division conduct future research projects, including examination of basic telephone service penetration rates in Tennessee comparing 1990 and 2000 census data. The others investigated respectively the effect of win back behavior on the local exchange carrier market in the state of Tennessee; anti-spam regulation; broadband deployment issues; and competition and universal service in rural Tennessee. Division staff also investigated the status of electric industry restructuring, the effects of predatory pricing on competition, interconnection pricing methodologies, the economics of Bell Operating Companies entry into long distance telecommunications services, and the economic analysis of resale obligations of bundles of regulated and non-regulated goods. Division staff also helped the Legal Division in reviewing and updating the TRA Slamming Rules. Division staff helped the Tennessee Department of Economic and Community Development to develop a financial review and recommendations for a company wishing to construct an electric generating facility in Tennessee. Division staff responded to the Securities and Exchange Commission's survey on our rules concerning financial and affiliate transactions and acquisition and ownership regulations of energy companies. Finally, Division staff composed bill analyses for two bills on telecommunications issues before the General Assembly.

The Division staff participated in several national professional meetings. Division staff attended meetings of the National Association of Regulatory Utility Commissioners and the Southeastern Association of Regulatory Commissioners addressing the changes in the telecommunications industry, changes in the energy industries especially changes in the electricity sector. Division staff participated on the national technical staff of NARUC's Triennial Review Implementation Project (TRIP) task force.

The Division continues to undertake strategic planning for the TRA by identifying likely future issues affecting the industries under TRA jurisdiction. Current projects include: monitoring anti-spam legislations; monitoring the deployment of broadband in Tennessee; monitoring the energy legislation; the implications for Tennessee of the Standard Market Design and Regional Transmission Organizations; and a study of competition and universal service in rural Tennessee.

The Division monitors decisions of the TRA to identify those that impact the development of regulated utilities especially in energy and telecommunication competitive markets. Through our analyses, we identify issues and strategies that may assist and enhance the development of competitive markets in Tennessee. The results of our monitoring activities and strategy analyses are included in recommendations to advise other Divisions and the Directors of the TRA regarding further actions that may be needed.

ENERGY & WATER DIVISION



William H. Novak,
Chief

MISSION: The Energy and Water Division is responsible for providing the Authority with technical assistance and financial recommendations on energy, water, and sewer service issues facing Tennessee. This is to ensure that all regulated services are provided in a safe, reliable and efficient manner that meets the diverse needs of our citizens, enhances economic development and strengthens Tennessee's competitive environment.

DIVISION RESPONSIBILITIES:

Price and Earnings Adjustments

Tennessee Code Annotated Sections 65-5-201 through 65-5-209 give the Authority the responsibility of setting or approving the rates and prices charged by public utilities operating within the State of Tennessee. The Energy and Water Division assists the Authority in carrying out this responsibility by evaluating periodic rate and price adjustment requests filed by utilities or other interested parties.

Tariffs (55)

Each utility under TRA jurisdiction is required to submit a schedule of its rates, rules and regulations in the form of a tariff. Petitioners may file proposed revisions from time to time in order to adjust their tariffs. During Fiscal Year 2003, the Division reviewed 17 tariff filings, 32 Purchased Gas Adjustments (PGAs) filings, and 6 electric Fuel Clause Adjustments.

Audits (12)

There are four (4) basic types of audits performed by the Energy and Water Division. These audits are: Compliance audits, Actual Cost Adjustment (ACA) audits, Weather Normalization Adjustments (WNA) audits and Performance Incentive Plan (IPA) audits.

- 1) **Compliance Audits (1)** - Compliance audits are performed to monitor the utility's compliance with applicable laws, orders, and policies of the Authority, as well as utility accounting operations to insure compliance with the Uniform System of Accounts (USOA) prescribed by the National Association of Regulatory Utility Commissioners (NARUC) and the Federal Energy Regulatory Commission (FERC). The Energy and Water Division schedules and conducts these audits as resources permit. During Fiscal Year 2003, the Division Staff conducted one compliance audit.
- 2) **ACA Audits (6)** - The Authority's Rule 1220-4-7-.02 permits a gas utility to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers. The Purchased Gas Adjustment (PGA) Rule, which was adopted July 1, 1992, is the mechanism used to accomplish this recovery and consists of three major components:

ENERGY & WATER DIVISION

- ◆ Actual Cost Adjustment (ACA)
- ◆ Gas Charge Adjustment (GCA)
- ◆ Refund Adjustment (RA)

The ACA is the difference between the revenue billed customers by means of the GCA and actual costs paid to suppliers as reflected in the Deferred Gas Cost account. The rule requires the utility to submit a filing each year detailing the transactions in the Deferred Gas Cost Account. The TRA Staff audits this filing to determine that the utility is following all the rules, regulations, and directives adopted by the Authority. This provides assurance to the Authority that the utility has not over-collected or under-collected gas costs from its customers.

Each year, the Staff conducts ACA audits on the six gas distribution utilities under rate jurisdiction of the TRA: Atmos Energy Corporation, Chattanooga Gas Company, Nashville Gas Company, Counce Natural Gas, Gasco Distribution Systems, and Red Boiling Springs Gas Utility. During the 2003 fiscal year, the Staff reviewed gas invoices for these utilities totaling approximately \$176,899,344. The Staff also reviewed all adjustments made to the Deferred Gas Cost accounts, the underlying supporting documentation, the calculation of gas cost recoveries and compliance with PGA filings, including ongoing Refund Adjustments, and the calculation of interest on account balances. The Staff recalculated sample bills for each month of the audit period to assure that the correct tariff rates and gas cost adjustments were being passed on to the customers. Audit results and recommendation are detailed in an audit report on each utility.

- 3) **WNA Audits** (3) - In setting rates, the Tennessee Regulatory Authority uses a normalized level of revenues and expenses for a test year to eliminate unusual fluctuations. One part of normalizing revenues in the test year is the adjustment of weather related sales volumes to reflect “normal” weather, which is calculated based on the previous thirty years’ weather data. Since “normal” weather rarely occurs, the customer bills can fluctuate dramatically due to weather changes from month to month, and gas companies’ revenues likewise fluctuate, causing them to earn more or less than their authorized rate of return. In recognition of this fact, the TRA has approved a Weather Normalization Adjustment (WNA) Rider, to be applied to residential and commercial customer bills during the winter months.

The TRA Staff conducts audits each year of the WNA Rider as it is applied to the three major gas companies: Atmos Energy Corporation, Chattanooga Gas Company, and Nashville Gas Company. In order to meet the objectives of the audit, the Staff compares the following on a daily basis:

- a) The company’s actual heating degree days to National Oceanic and Atmospheric Administration (NOAA) actual heating degree days;
- b) The company’s normal heating degree days to the normal heating degree days calculated in the last rate case; and
- c) The company’s calculations of the WNA factors to the Staff’s calculations.

ENERGY & WATER DIVISION

The Staff also audits a sample of customer bills during the WNA period to verify that the WNA factor has been correctly applied to the bills. Results of the audits and any recommendations are detailed in the annual audit report for each company.

During the 2003 fiscal year, WNA related revenues for the three gas utilities amounted to \$4.7 million in refunds to Tennessee consumers.

- 4) **IPA Audits (3)** - The Performance Incentive Plan mechanism was approved by the TRA and is designed to provide incentives to gas utilities in a manner that will produce rewards for customers and shareholders alike while improving the gas procurement process. All savings benefit the consumers to various degrees. The Incentive Plan replaces the after-the-fact reasonableness or prudence reviews of gas purchasing activities formerly required by the Purchased Gas Adjustment Rule. The Staff audits these filings in a manner similar to the audits conducted for the ACA filings. During Fiscal Year 2003, incentive audits were conducted on all major gas utilities.

Miscellaneous Projects and Activities

Certificate of Convenience and Necessity (CCN) Applications (14)

CCNs are required by law for each public utility operating in Tennessee. During the 2003 fiscal year, fourteen CCN applications were reviewed by the Energy and Water Division.

Annual Report Audits (19)

Nineteen energy & water utilities file annual reports with the TRA. The Division Staff audits these annual reports to ensure the completeness of their financial data.

Activities

The Energy and Water Division continues to participate in various training opportunities to assist us in staying up to date on governmental and industry trends in the electric, gas, water and sewer industries. We also meet regularly with industry representatives to encourage the sharing of ideas on how to improve customer service and operating efficiencies.

ENERGY & WATER DIVISION

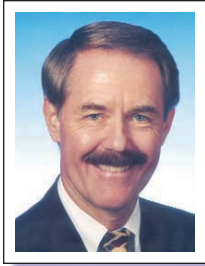
CUSTOMERS SERVED BY ELECTRIC, GAS, WATER, WASTEWATER UTILITIES WITHIN TENNESSEE DURING FY 2002-2003

COMPANY	Residential	Commercial	Industrial	Other	Totals	Residential	
						Annual Usage	Annual Bill
GAS UTILITIES:						MCF	
Atmos Energy Corp.	103,837	15,528	402	669	120,436	63.93	\$789.91
Chattanooga Gas Company	49,918	8,007	70	4	57,999	76.21	\$738.43
Counce Natural Gas	119	35	2	-	156	46.71	\$459.74
Gasco	408	90	8	-	506	51.72	\$659.31
Nashville Gas Company	126,654	16,308	198	-	143,160	75.01	\$843.40
RBS Gas Utility	216	18	1	-	235	34.86	\$418.46
ELECTRIC UTILITIES:							
Entergy Arkansas, Inc.	33	7	4	-	44	6,170	\$560.88
Kentucky Utilities Co.	5	1		-	6	24,833	\$427.80
Kingsport Power Co.	39,727	5,069	194	173	45,163	16,576	\$812.15
WATER/SEWER UTILITIES: Gallons							
Antioch Water (water)	243	-	-	-	243	1,267	\$176.22
Aqua Utilities (W)	163	-	-	-	163	51,625	\$109.31
Aqua Utilities (S)	130	-	-	-	130	N/A	\$448.33
Cartwright Creek (S)	469	28	-	-	497	N/A	\$362.47
Foothills Properties (W)	92	-	-	-	92	67,898	\$434.16
Hickory Star (W)	58	-	-	-	58	N/A	\$133.99
Lynnwood Utilities (S)	624	-	-	-	624	97,910	\$526.18
Newport Resort Water Sys. (W)	49	-	-	-	49	61,581	\$338.10
On Site Systems, Inc. (S)	138	-	-	-	138	N/A	\$424.95
Shiloh Falls Utilities (S)	103	-	-	-	103	N/A	\$370.94
TN American Water Co. (W)	55,225	7,518	149	1,595	64,487	61,443	\$197.09
TN Water Service, Inc. (W)	513	-	-	-	513	57,084	\$409.72
Total Environmental Solutions (W)	1142	-	-	-	1,142	N/A	\$52.20

"W" = Water / "S" = Wastewater

"N/A" = Usage is not metered.

GAS PIPELINE SAFETY DIVISION



Glynn Blanton
Chief

MISSION: Protect the public and environment from accidental release of natural gas or hazardous liquid products by pipeline. This protection is provided by a technologically advanced compliance program that promotes educational standards for industry and contributes to the health and security of the citizens of Tennessee.

COMPLIANCE PROGRAM

The Gas Pipeline Safety Division (GPSD) enforces the Minimum Federal Safety Standards and has jurisdiction over all natural gas distribution operators in Tennessee. Private, municipal, utility district, and other natural gas distribution companies collectively operate 34,000 miles



of intrastate pipeline and three (3) liquefied natural gas facilities. These 179 distribution operators represent 196 individual inspection units and serve more than 1.1 million customers. Tennessee's largest natural gas distribution system is Memphis Light, Gas & Water serving 320,000 customers. GASCO-Byrdstown is the smallest, serving thirty.



The GPSD works diligently to protect the citizens of Tennessee from accidental release of natural gas by performing periodic inspections of an operator's gas facilities, records, and construction projects. Minimum Federal Safety Standards are the backbone of the GPSD inspection program. Citations and fines are issued when operators are found to be in non-compliance with TRA rules and regulations. The GPSD has the authority under TCA § 65-28-108 to levy civil penalties in the amount of \$10,000 per violation per day to a maximum amount of \$500,000 per series of violations. The maximum amount levied to date against a Tennessee natural gas operator is \$184,000, occurring in 1989.

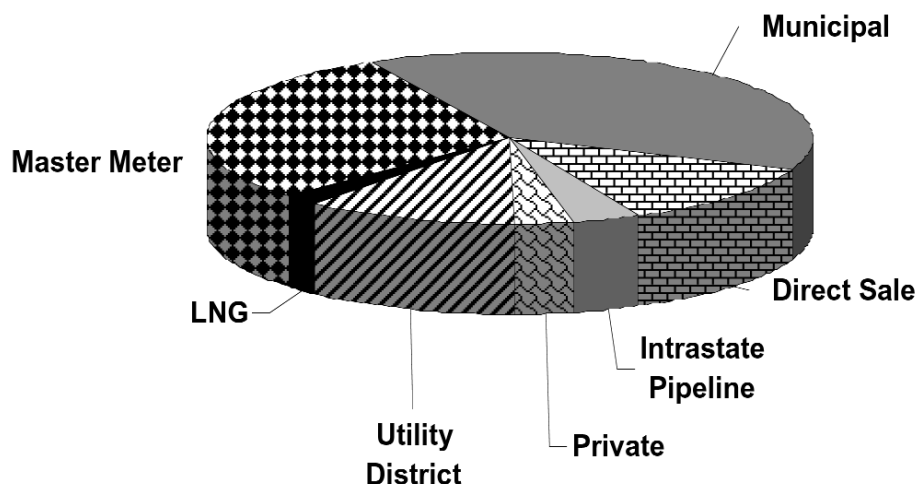


Types of Operators

Operator Type	Number of each
Liquefied Natural Gas (LNG)	3
Master Meter *	42
Municipal	74
Direct Sale	23
Intrastate Pipeline	7
Private	6
Utility District	24
Total	179

* Master Meter Systems includes Mobile Home Parks, Apartments and Housing Authorities

GAS PIPELINE SAFETY DIVISION



Calendar year 2003 marks the seventh year the GPSD has submitted a Section 60105 agreement and been approved by the United States Department of Transportation Office of Pipeline Safety (OPS) to carry out a program to enforce the safety regulations contained in Parts 191, 192, 193 and 199 of the Code of Federal Regulations. These regulations are Enforcement Procedures; Safe Transportation of Natural Gas or Hazardous Liquids by Pipeline, Liquefied Natural Gas Facilities, and Drug & Alcohol testing. The Section 60105 agreement provides federal matching funds in the amount up to fifty percent of actual expenses for the program. The federal funds are distributed through a grant-in-aid reimbursement provision included in the agreement and are tied to the Division's federal performance evaluation score. A performance level of 90% or greater insures full fifty percent funding. In 2003, the GPSD received a score of 96 out of 100.

The GPSD comprises a chief and five (5) engineers, all experienced and technically trained. Each engineer is required to complete nine (9) one week courses of natural gas safety training provided by the Federal Transportation Safety Institute within their first three years of employment in the Division. Additional refresher courses are required to maintain inspection status.

Integrity Management Program - Transmission Line Only

On January 28, 2003, the Federal Office of Pipeline Safety (OPS) proposed the establishment of a rule that would require operators with transmission lines to develop an integrity management program. This rule would apply only to those operators who have transmission lines located in high consequence areas (HCAs). HCAs are normally highly populated areas or facilities close to a pipeline, such as a church or camping site. It is anticipated that all operators will be required within one year after the rule has been finalized to identify HCAs in their class 3 & 4 locations by using the potential impact circle method or other methods. All operators who identify HCAs would be required to assess the integrity of the pipeline in those locations by performing one of three tests; in-line pigging (the process of running a device through the pipe to check for leakage or corrosion), pressure testing, or direct assessment (uncovering the pipeline and reviewing the condition of the pipe). This rule will affect several Tennessee natural gas distribution operators who have pipelines operating above twenty percent of the

GAS PIPELINE SAFETY DIVISION



specified minimum yield strength. The GPSD has been participating in the ongoing discussions and comments regarding this issue with Tennessee natural gas distribution operators.

ACTIVITIES AND ACCOMPLISHMENTS:

Security

On March 5, 2003 all intrastate pipeline operators were required to submit written statements to the GPSD regarding pipeline security procedures. These statements, on file with this Division, confirm that the operators have reviewed the Pipeline Security Information Circular and Pipeline Security Contingency Planning Guidance material developed by the Federal Office of Pipeline Safety (OPS). The statements also provide information on the criteria used by the operators to identify critical facilities and suggest security measures for each of the five national security threat levels. The GPSD continues to work closely with the natural gas industry, and federal, state, and local agencies to enhance the security of Tennessee's distribution and transmission pipelines. Monthly meetings with the Tennessee Emergency Management Agency regarding security threat issues pertaining to natural gas infrastructures have assisted the GPSD in developing broader responsibilities in the area of security.

Damage Prevention

Preventing excavation damage to underground natural gas facilities is a top priority for the GPSD. Working with facility operators, local governments, law enforcement agencies, excavators, property owners, and concerned citizens, the GPSD has assisted in the development of several comprehensive damage prevention programs. These programs address the awareness and enforcement of Tennessee's Underground Utility Damage Prevention law and are presented to several different audiences. The GPSD chief served on a committee that developed the national "Dig Safely" campaign, message, and logo which is used to help educate the public on how to prevent damages to all underground utilities. The campaign, called "Dig Safely," has a four part message; Call before you dig, Wait the required time, Respect the marks, and Dig with care. The national campaign has been very successful in reducing damages to all underground facilities. Continued efforts to enhance this program with the establishment of a proposed national three digit telephone number (#344 or #Dig) that individuals can use to call for underground facilities locates without charge will be a high priority for the GPSD. The GPSD is a member of the Common Ground Alliance, a non-profit organization, that promotes best practices in damage prevention to all utility companies. Visit their web site at www.commongroundalliance.com.

Nashville Gas Company PA 11 Pipe Waiver & Installation

The GPSD conducted several field audits during the installation and testing of Nashville Gas Company's (NGC) Polyamide 11 (PA11) pipeline in the Mt. Juliet area. Installation of this new material was the first of its kind in Tennessee and the third installation in the nation. Tennessee is the first state to allow the operation of PA11 at a safety factor of 0.40 instead of the 0.32, as stated in Title 49 CFR 192.121 of the Minimum Federal Safety Standards. Nashville Gas Company requested and the Tennessee Regulatory Authority approved a waiver of the current restriction of 100 pounds per square inch gauge (psig) on plastic pipe, as stated in Title 49 CFR 192.123. NGC has approval to operate the PA11 pipeline at a pressure on the 2-inch main and 1-inch service lines (Iron Pipe

GAS PIPELINE SAFETY DIVISION

Standard) of 175 psig. The TRA waiver order includes provisions for removal of a test section of the pipe at 12-month intervals to evaluate its performance under actual service conditions. PA11 is a relatively new material, which in laboratory tests has proven the capability of handling higher pressures than other currently used plastic pipe. Tests such as the one NGC is performing will help in determining if PA11 piping material is suitable for generalized use in higher pressure gas system applications.

Soft Close/Delayed Match Program

The GPSD continued to monitor the proposed practice by several gas pipeline operators of a program called “Soft Close” or “Delayed Match” on discontinued gas services. This policy entails leaving the gas service on after the final bill and/or request for discontinuance of service by the customer. This procedure provides a cost reduction to the gas pipeline operator and in some cases additional convenience to the consumer. The GPSD determined that this policy is in violation of Minimum Federal Safety Standards which requires the flow of gas be terminated in prescribed manners. Title 49, CFR §192.727(d) states that, *“whenever service to a customer is discontinued, one of the following must be complied with: 1) The valve that is closed to prevent the flow of gas to the customer must be provided with a locking device or other means designed to prevent the opening of the valve by persons other than those authorized by the operator. 2) A mechanical device or fitting that will prevent the flow of gas must be installed in the service line or in the meter assembly. 3) The customer’s piping must be physically disconnected from the gas supply and the open pipe ends sealed.”*

On December 24, 2002 OPS issued an interpretation letter stating among other things that, “The Federal standards do not state how soon an operator must discontinue service to a property when no subsequent customer has been identified for billing purposes.” It continues to be the opinion of the GPSD staff that this policy presents potential safety hazards that would not be present if the flow of gas were terminated as the referenced code section describes.

Operator Qualification

The GPSD will be required to complete computer based training on the operator qualification protocols. The protocols, provided by the OPS Transportation Safety Institute, will be used to evaluate operator qualification written plans and programs for compliance with Minimum Federal Safety Standards. All operator qualification programs will be fully evaluated to determine if programs have been implemented in a manner consistent with Minimum Federal Safety Standards protocols and the subsequent information filed with the OPS.

Welding Program

Over 250 TRA welder qualification cards were issued during the fiscal year. Natural gas pipeline welders are tested annually or every six months, depending upon the type of steel they are welding and conditions under which they are qualified. The Gas Safety staff reviews welding test results and issues welding cards to qualified welders. The Gas Pipeline Safety Division is responsible for ensuring that all Tennessee natural gas operators and their contractors employ welders who are tested and qualified by an established, TRA approved welding procedure.

GAS PIPELINE SAFETY DIVISION

Training

The GPSD conducted fifteen training seminars with attendees from fifty natural gas systems across the state, including one system from the state of Mississippi. These seminars consist of PowerPoint presentations, videos, classroom discussions, and testing on safety issues related to performance of job tasks. To date, 29 PowerPoint presentations have been developed regarding such topics as firefighting techniques, recognizing emergency conditions, and leakage surveys and patrols. A total of 272 individuals have attended the seminars with 255 successfully completing the course work. This training initiative is the result of a federal mandate for gas pipeline operators to qualify their employees to perform covered tasks while operating a natural gas pipeline facility. This initiative will continue as new employees are added to the workforce and operators reevaluate personnel on an ongoing basis.

INSPECTIONS

Total gas safety inspections performed on Tennessee local distribution systems is shown in the table below. Each jurisdictional operator has been inspected at least once, and many operators twice, during this period. These inspections help to ensure that all operators are complying with the Minimum Federal Safety Standards (MFSS) by maintaining records, making reports, updating their operations and maintenance plans, and promptly repairing all hazardous leaks. Staff conducts several types of inspections to check for compliance with all sections of the MFSS. Each operator's drug and alcohol programs are reviewed annually to ensure that required testing is being conducted. The following charts show the numbers and types of inspections conducted from July 2002 to June 2003.

Number of Inspections Performed July 2002 - June 2003

Inspection Type	Number
Standard	101.0
Specialized	79.0
Follow-Up	51.0
Construction	10.0
Incident	3.0
Training	17.0
LNG	2.0
Total	263.0
Total minus FU	212.0

GAS PIPELINE SAFETY DIVISION

VIOLATIONS CITED AND CLOSED

The violations cited by the GPSD against an operator are recorded and filed on an ongoing basis. Each operator receives verbal and written notices of the violation(s) and is given sixty days from receipt of the written notice to correct any deficiencies that may have warranted a citation. A follow up inspection is scheduled after the sixty day time period to ensure that action is being taken by the operator to correct these violations. Failure to take corrective action on cited violations could subject the operator to civil penalties in accordance with TCA §65-28-108. The steady decrease in the number of new violations cited can be attributed to the operator's ability to better comply with Minimum Federal Safety Standards and the priority given to safety with respect to the transportation and distribution of natural gas. Listed below are the violations cited and closed.

Operator	Violations Cited	*Violations Closed
Private	15	19
Municipal	33	48
Utility District	12	7
Master Meters	23	17
Liquefied Natural Gas	0	0
Intrastate Pipeline	0	2
Totals	83	93

*Violations closed include violations cited from previous fiscal years

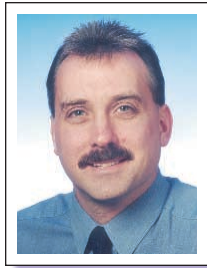
CIVIL PENALTIES

Tennessee Code Annotated §65-28-108 states: "Any person who violates any provisions of the adopted Minimum Federal Safety Standards is subject to a civil penalty not to exceed ten thousand dollars (\$10,000) for each such violation for each day that such violation persists, except that the maximum civil penalty shall not exceed five hundred thousand dollars (\$500,000) for any continuing series of violations." No civil penalties were levied against natural gas operators for non-compliance action in correcting violations. The action of levying penalties is a method used by the TRA to protect the public and to ensure that operators are providing safe transportation of natural gas by pipelines.

NATURAL GAS INCIDENT(S)

The Minimum Federal Safety Standards §191.3 defines an incident as any of the following: 1. An event that involves a release of gas from a pipeline or liquefied natural gas or gas from an LNG facility and i) A death, or personal injury necessitating in-patient hospitalization; or ii) Estimated property damage, including cost of gas lost, of the operator or others, or both, of \$50,000 or more, 2. An event that results in an emergency shutdown of an LNG facility, 3. An event that is significant, in the judgment of the operator, even though it did not meet the criteria of parts 1 or 2. Three reportable incidents were called in to the GPSD in the past fiscal year. The reportable incidents resulted in two personal injuries. The goal of the Gas Pipeline Safety Division is to enforce the Minimum Federal Safety Standards which all natural gas operators must follow. Strict adherence to safety regulations and procedures is crucial in helping to prevent the release and subsequent ignition of natural gas.

INFORMATION SYSTEMS DIVISION



Tracy Stinson
Chief

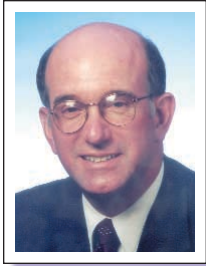
MISSION: To provide effective and continually improving information management resources and services to the Authority.

The Information Systems Division's (ISD) goal is to develop and implement systems that will support the Agency's objectives and to effectively and efficiently manage the agency-wide automated information resources. The ISD staff consists of an Office Automation Specialist and an Information Systems Analyst III.

Duties of the Information Systems Section:

- ◆ Plan and coordinate information system resources for the TRA.
- ◆ Develop the three year Information Systems Plan.
- ◆ Oversee the administration of the LAN for 60 plus workstations.
- ◆ Maintain and modify PC systems as needed.
- ◆ Develop new systems as required.
- ◆ Coordinate information resource training.
- ◆ Maintain databases/data entry.
- ◆ Maintain mainframe and LAN system security.
- ◆ Oversee hardware management.
- ◆ Provide service to agency's computer hardware
- ◆ Web site administration
- ◆ Developed and implemented Case Management software system for use by the TRA staff to track dockets and tariffs.

LEGAL DIVISION



Richard Collier
General Counsel

MISSION: To provide the Authority with sound and timely legal advice, effective counsel in the deliberative process, and zealous representation before state and federal agencies, reviewing courts and the General Assembly.

It is the responsibility of the Legal Division to provide in-house counsel to the Directors of the Authority. Attorneys from the Division also represent the Authority and the Directors in their official capacities before the Chancery Courts, Tennessee Court of Appeals, the Tennessee Supreme Court and in the Federal Courts. The Legal Division represents the Authority before the Federal Communications Commission and the Federal Energy Regulatory Commission. Members of the Legal Division often serve as Hearing Officers in contested cases and prosecutors in enforcement actions before the Authority. Division Attorneys are responsible for bill analysis as requested by the Legislative Fiscal Review Committee. They also assist in drafting rules to be promulgated by the Authority and prepare orders reflecting actions of the Directors in specific cases.

Accomplishments

During the past fiscal year 1012 dockets were opened requiring action by the Authority. Members of the Legal Division provided continuing research, document preparation and counsel to the Directors and staff in most of these dockets. The Legal Division also prepared 411 orders in tariff matters and contested cases for issuance by the Authority.

Members of the Legal Division provided assistance to the Authority in rendering decisions on BellSouth's and United Telephone-Southeast's 2002 price regulation filings. The Legal Division also assisted in the preparation of rules establishing filing requirements for telecommunications service providers operating under price regulation. The Legal Division participated in hearings which were conducted on applications for certificates of public convenience and necessity and approval of franchise agreements filed by competing local exchange carriers and gas companies and in proceedings setting rates for gas, water and waste water treatment utilities. Members of the Legal Division also served as Hearing Officers and provided counsel to the Authority in complaints arising there from between Competing Local Exchange Carriers and BellSouth.

The Legal Division took action to enforce Tennessee's "Do Not Call," slamming and cramming statutes, with the assistance of the Consumer Services Division, by commencing show cause proceedings against non compliant companies. In one such case the Authority assessed and is recovering the largest fine in agency history.

The Legal Division also provided assistance to the Consumer Services Division in preparing and filing comments with the Federal Communications Commission related to number pooling and other number conservation measures. The Legal Division continued its participation with the Division of Gas Pipeline Safety in providing educational programs regarding Tennessee's Prevention to Underground Utility Facilities.

LEGAL DIVISION

Significant case activity for the 2002-2003 fiscal year included:

◆ TRA

Small Telephone Companies Tariff Filings Regarding Reclassification of Pay Telephone Service as Required by Federal Communications Commission Docket 96-128 (Docket No. 97-01181). Universal Service for Rural Areas – The Generic Docket (Docket No. 00-00523).

Generic Docket to Establish UNE Prices for Lines Sharing Per FCC 99-355, and Riser Cable and Termination Wire as Ordered in TRA Docket 98-00123(Docket No. 00-00544).

Rulemaking Proceeding - Regulations for Term Arrangements for Telecommunications Services (Docket No. 00-00702).

Docket to Establish Generic Performance Measurements, Benchmarks and Enforcement Mechanisms for BellSouth Telecommunications, Inc. (Docket No. 01-00193).

Show Cause Proceeding Against Talk.Com, Inc. (Docket No. 01-00216).

Docket to Determine the Compliance of BellSouth Telecommunications, Inc.'s Operations Support Systems with State and Federal Regulations (Docket No. 01-00362)

Generic Docket to Consider Technology Advances and Geographic Deaveraging (Docket No. 01-00339).

Generic Docket to Establish Generally Available Terms and Conditions for Interconnection (Docket No. 01-00526).

Petition of Tennessee UNE-P Coalition to Open Contested Case Proceeding to Declare Unbundled Switching an Unrestricted Unbundled Network Element (Docket No. 02-00207).

Petition of US LEC Tennessee, Inc. for Declaratory Order (Docket No. 02-00890). Tariff to Introduce SWA Pricing Flexibility - Tariff Number: 2002-256 (Docket No. 02-01073).

Tariff to Reduce Rates in Accordance with UTSE's 2002 Price Regulation Filing - Tariff Number: 2002-364 (Docket No. 02-01161).

Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges so as to Permit It to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Water Service to Its Customers (Docket No. 03-00118).

Application of Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. for an Adjustment of Its Rates and Charges, for Approval of Revised Tariffs and Approval of Revised Service Regulations (Docket No. 03-00313).

LEGAL DIVISION

◆ OTHER COURTS

U.S. Supreme Court denied the Writ of Certiorari in BellSouth Advertising and Publishing Co. vs. TRA

Tennessee Court of Appeals issued an opinion in favor of the TRA Decision in the case of Consumer Advocate v. TRA (United Telephone-Southeast, Inc. Tariff No. 96-201 To Reflect Annual Price Cap Adjustment, TRA Docket No. 96-01423).

Tennessee Court of Appeals issued an opinion in favor of the TRA Decision in the case of BellSouth v. TRA (All Telephone Companies Filings Regarding Reclassification of Pay Telephone Service as Required by FCC Docket 96-128, TRA Docket No. 97-00409). The Tennessee Supreme Court denied the Rule 11 Application filed by BellSouth in this same case.

BellSouth Telecommunications, Inc. and United Telephone-Southeast, Inc. filed Petitions for Review in the Tennessee Court of Appeals and the U.S. District Court related to the TRA's decision regarding line sharing and line splitting in the case, Generic Docket to Establish UNE Prices for Lines Sharing Per FCC 99-355, and Riser Cable and Terminating Wire as Ordered in TRA Docket 98-00123, (TRA Docket 00-00544).

Tennessee Supreme Court reversed the decision of the Court of Appeals and issued an opinion in favor of the TRA in the case of BellSouth Advertising and Publishing Co. vs. TRA, requiring the publisher of white pages directories to include on the cover the name and logo of competing telecommunications carriers having customers in the directory. (TRA Docket Nos. 96-01692 and 98-00654).



TELECOMMUNICATIONS DIVISION



Joseph T. Werner
Chief

Mission: To provide the directors of the TRA with the detailed analysis needed to make informed decisions on issues related to the development of competitive markets and the preservation of affordable prices for telecommunications services in Tennessee.

Generating more than \$5 billion in revenues annually, telecommunications is one of the largest and fastest growing industries in Tennessee. As the backbone of the Internet, it is impossible to overstate the impact that telecommunications has on our quality of life.

Technology is rapidly reshaping the competitive landscape of telecommunications. New technologies such as digital subscriber lines, cable modems, wireless and satellite services, and voice over Internet Protocol likely will create new avenues and providers for customers to receive traditional local and long distance voice services. The primary focus of these technologies is faster transmission of data. The telephone has taken a back seat to the computer when it comes to telecommunications. Data traffic is doubling every 100 days, and the industry is struggling to keep up with the demand.

In 1995, the Tennessee General Assembly revised the laws for regulating telecommunications in Tennessee. A year later Congress re-wrote the Federal telecommunications laws in the first major rewrite of Federal telecommunications laws since 1934. Both the State and Federal acts introduced competition in local telephone markets, called for reduced regulation, and directed the preservation of universal telephone service. While the new laws establish the basic framework for achieving these goals, state and federal regulators, like the TRA, are responsible for adopting the rules, regulations, policies and enforcement mechanisms to implement the legislative framework.

With the passage of State and Federal legislation introducing local telephone competition, the role of regulators has changed dramatically. Previously, the primary responsibility of telecommunications regulators was to set rates and prices based on accounting data and financial forecasts. Now, the primary focus of regulators is on developing a competitive marketplace while maintaining affordable prices. A majority of the work done by the Telecommunications Division is now dictated by the statutory requirements of the Telecommunications Act of 1996 and mandates by the Federal Communications Commission. Regulators now serve as referees, arbitrators and mediators to resolve disputes between competitive carriers. The majority of the work in the Telecommunications Division involves activities to promote local telephone competition in the state; activities such as breaking down the telephone network into its individual components and pricing each component, certifying new entrants into the local telephone market, establishing a universal service fund to maintain affordable telephone rates and resolving disputes between providers.

Implementing the requirements of the new laws is proving to be an onerous, yet challenging responsibility. To prepare the detailed analysis needed for the directors to make informed decisions not only requires a strong financial background but also knowledge of the telephone network. The Telecommunications Division now consists of eighteen employees including a professional telecommunications engineer, three CPAs and an economist. The Telecommunications Division works in concert with the Economic Analysis, Consumer Services and Legal Divisions in formulating recommendations on telecommunications issues before the TRA.

TELECOMMUNICATIONS DIVISION

The last three years have proven to be tumultuous for the telecommunications industry. Nationwide, more than 50 competitive local exchange carriers (CLECs) have declared bankruptcy while numerous others have ceased operations or otherwise experienced significant financial difficulties as a result of the dramatic downturn in the economy and the lack of capital dollars needed for CLECs to continue operating. Despite these troubles, however, Tennesseans are still seeing significant competitive activity in the business segments of the local telecommunications markets. As of June 30, 2003, forty-four (44) facilities-based competitors were offering telecommunications services in Tennessee. These 44 competitors serve 565,026 lines in the state, an increase of 29% over last year's totals. Lines served by CLECs represent 16% of the Tennessee's total lines open to competition. As of June 30, 2003, new market entrants had invested \$651 million in equipment and facilities in Tennessee since the passage of these new laws.

Like previous years, the 2003 fiscal year was an active year for the Telecommunications Division. Despite a twenty percent (20%) reduction in professional staff, the Telecommunications Division reviewed and analyzed a record number of tariff filings, contract service agreements and interconnection agreements within applicable state and federally mandated deadlines. Below is a list of some of the major activities of the Telecommunications Division during the fiscal year.

◆ Opening of BellSouth's Network To Competitors (271 Hearings)

- Section 271 of the federal telecom act required the Regional Bell Operating Companies (RBOC) to "unbundle" their networks and offer individual network elements to CLECs on a wholesale basis. Once the RBOC, BellSouth in Tennessee, demonstrates that it has sufficiently opened its network to competitors and is offering such network elements to competitors on a nondiscriminatory basis, it is permitted to begin offering long distance services. During the fiscal year the Authority conducted a series of hearings to determine if BellSouth's network is suitably open to competitors. In September 2002, the Authority determined that BellSouth is in compliance with the 271 requirements and recommended that the Federal Communications Commission approve BellSouth's application to provide long distance services in Tennessee. In December 2002, the FCC approved BellSouth's request to enter the long distance market in Tennessee.

◆ Adoption of a Comprehensive Set of Measurements to Evaluate BellSouth's Wholesale Performance

- In August 2002, the TRA adopted a comprehensive set of performance mechanisms to monitor BellSouth's wholesale operations to determine if BellSouth is providing service to competitors comparable to what it provides to itself. Included in these mechanisms are penalties for non-compliance with agreed to standards and benchmarks.

◆ Agreements to Interconnect the Networks of New Entrants with the Networks of Existing Telephone Companies

- For multiple providers of telephone services to exist, there must be compatibility between providers so that customers of the different providers may call each other. Both the State and Federal telecommunications acts require all providers of telecommunications to interconnect their facilities with the facilities of other carriers. During the fiscal year, the Telecommunications Division reviewed 128 interconnection agreements including amendments, nineteen 19 Commercial Mobile Radio Service interconnection agreements including amendments and eight (8) resale agreements including amendments.

TELECOMMUNICATIONS DIVISION

◆ Certification of Competitive Carriers

- Analyzed and approved the application of sixteen (16) companies requesting designation as facility-based competitive local exchange carriers. The Telecommunications Division also reviewed three (3) resellers of local telephone service and sixteen (16) resellers of long distance service during the fiscal year.

◆ Review of Contract Service Arrangements

- One of the ways that incumbent local exchange carriers have responded to the impending local telephone competition is by offering special pricing arrangements to selected customers. These arrangements, offered to large and medium-sized business customers, provide discounted prices to customers who commit to continue using BellSouth's service for a specified period of time, typically two to four years. In the 2003 fiscal year, the Telecommunications Division reviewed 627 contract service arrangements.

◆ Tariff Review

- Reviewed 664 tariff filings by telecommunications companies to introduce new services or to revise the rates, terms and conditions of existing services. Ninety-nine percent (99%) of these filings were reviewed and became effective at the conclusion of the required thirty-day notice period.

◆ Pay Telephone Certification

- Registered twenty-three (23) payphone providers and 2,085 payphones during the fiscal year. The Authority also established cost-based rates for payphone access lines per the directives of the Federal Communications Commission (FCC).

◆ Interconnection Complaints

- Resolved numerous interconnection disputes between competing carriers and incumbent providers. In most cases, the Authority was asked to interpret the language and requirements of the interconnection agreement signed by the parties.

◆ Telecommunications In Tennessee

- In 2001, total telecommunications revenue in Tennessee was \$5.2 billion, a 51% increase over 1995 revenues.
- 97.0% of Tennessee households had telephone service, (national average: 97.5%, southeastern region: 96.7%).
- 44.8% of Tennessee households subscribed to Internet access (national average: 50.5%)
- 16% of Tennessee households subscribe to high speed (broadband) Internet access (as of December 31, 2002).
- 54% of Tennesseans over the age of 10 have wireless/mobile phones.
- As of June 30, 2003, Tennessee had 105 companies providing local telecommunications services in Tennessee including 20 incumbent providers (10 investor owned and 10 telephone co-operatives), 44 competitive local exchange carriers ("CLECs") and 41 resellers of local

TELECOMMUNICATIONS DIVISION

telephone services. Note: Incumbent providers are those companies (Bell companies) providing local telecommunications services prior to passage of the Telecommunications Act of 1996 on February 8, 1996 while CLECs are those companies who began offering facilities-based local telecommunications subsequent to February 8, 1996.

- At June 30, 2003, 3.7 million wired telephone lines were in service in Tennessee with 565,000 (16%) of these lines being provided by CLECs.
- At December 31, 2002, CLECs were providing service in 75 of Tennessee's 95 counties. However, 88% of the CLEC lines are in the state's four largest metropolitan areas.
- Since 1996, CLECs report they have invested \$662 million in facilities in Tennessee.
- Two municipalities are providing telecommunications in Tennessee: Chattanooga Electric Power Board and Memphis Light, Gas and Water (through Memphis Network).
- The Tennessee Relay Center, operated by MCI/WorldCom, assists the state's hearing impaired citizens in communicating over the telephone. Tennessee was one of the first states to operate such a center.
- State law requires all telephone calls originating and terminating within the same county are required to be completed without long distance charges.

Telecommunications Service Providers Pertinent Data (Current As of June 30, 2003)

- Incumbent Local Exchange Carriers	18
- Competitive Local Exchange Carriers (Facilities Based).....	98
- Telephone Cooperatives (Not regulated by the TRA)	10
- Local Service Resellers.....	70
- Long Distance Resellers	212
- Long Distance Companies (Facilities-Based).....	3
- Pay Telephone Providers.....	244
- Pay Telephones.....	23,169
- Interconnection Agreements between Competitive Local Exchange and Incumbent Carriers.....	156
- Resale Agreements between Local Resellers and Incumbent Carriers	136
- Interconnection Agreements between Commercial Mobile Radio Services (CMRS) and Incumbent Carriers	80
- Resale Agreements between Commercial Mobile Radio Service (CMRS) and Incumbent Carriers	6

TELECOMMUNICATIONS DIVISION

Competitive Local Exchange Companies Certified by the TRA (As of October 31, 2003)

- | | | |
|--|---|--|
| 1. 1-800-RECONEX | 35. Excel Telecommunications | 66. Network Telephone Corporation |
| 2. 360networks (USA) | 36. Global Connection Inc. of Tennessee | 67. New Edge Network |
| 3. Access Integrated Networks | 37. Global Crossing Local Services | 68. New South Communications |
| 4. Access Point | 38. Global NAPs Gulf | 69. NOS Communications |
| 5. Adelphia Business Solutions of Nashville | 39. Granite Telecommunications | 70. NOW Communications |
| 6. Adelphia Business Solutions Operations | 40. ICG Telecom Group | 71. NUI Telecom |
| 7. Aeneas Communications | 41. IDS Telcom | 72. Nu Vox Communications |
| 8. Alec, Inc. | 42. Image Access d/b/a NewPhone | 73. OnePoint Communications |
| 9. Alltel Communications | 43. Intermedia Communications | 74. OneStar Communications |
| 10. American Fiber Systems | 44. Intrado | 75. Premiere Network Services |
| 11. AT&T Communications | 45. ITC DeltaCom Communications | 76. Progress Telecom Corporation |
| 12. BellSouth BSE | 46. KMC DATA | 77. Qwest Communications Corp. |
| 13. Ben Lomand Communications | 47. KMC Telecom III | 78. Qwest Interprise America |
| 14. Birch Telecom | 48. KMC Telecom V | 79. SBC Telecom |
| 15. Brooks Fiber Communications of Tennessee | 49. Knology of Tennessee | 80. Sprint Communications Company |
| 16. Budget Phone | 50. LecStar Telecom | 81. TCG MidSouth |
| 17. BullsEye Telecom | 51. Level 3 Communications | 82. Talk America |
| 18. Business Telecom | 52. Lightyear Communications | 83. TeleConex |
| 19. Cat Communications International | 53. LoadPoint Telecommunications | 84. Telepak Networks |
| 20. CenturyTel Fiber Company II | 54. Madison River Communications | 85. Tele-SyS |
| 21. CenturyTel Solutions | 55. MCI WorldCom Communications | 86. Teligent Services |
| 22. Ciera Network Systems | 56. MCImetro Access Transmission Services | 87. Texas HomeTel d/b/a 877 Ring Again |
| 23. Cinergy Communications | 57. McLeod USA Telecommunications | 88. The Information Bureau |
| 24. Citizens Telecommunications Company | 58. Memphis Networx | 89. The Other Phone Company |
| 25. Cogent Communications of Tennessee | 59. Metropolitan Fiber Systems of Tennessee | 90. Time Warner Telecom |
| 26. Comm South Companies | 60. Metro Teleconnect Companies | 91. Touch America |
| 27. Communigroup of Jackson | 61. Momentum Business Solutions | 92. U-Dial of Tennessee |
| 28. Cypress Communications Operating Co. | 62. MountainNet Telephone Company | 93. USCarrier Telecom |
| 29. DIECA Communications d/b/a Covad | 63. NA Communications | 94. US LEC of Tennessee |
| 30. Dixie-Net Communications | 64. NationNet Communications | 95. US TelePacific Corp. |
| 31. DSLnet Communications | 65. Navigator Telecommunications | 96. VarTec Telecom |
| 32. Eagle Communications | | 97. Williams Communications |
| 33. East Tennessee Network | | 98. XO Tennessee |
| 34. Electric Power Board of Chattanooga | | 99. Xspedius |
| | | 100. Xspedius Management Company of Chatt. |
| | | 101. Z-Tel Communications |



Tennessee Regulatory Authority.
Authorization No. 316264, February 2004.